EUROPE'S ECONOMIC SUNRISE

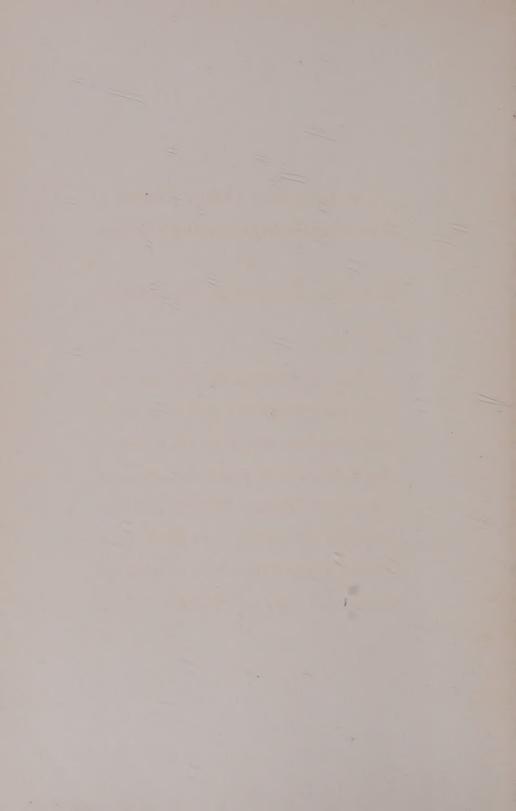


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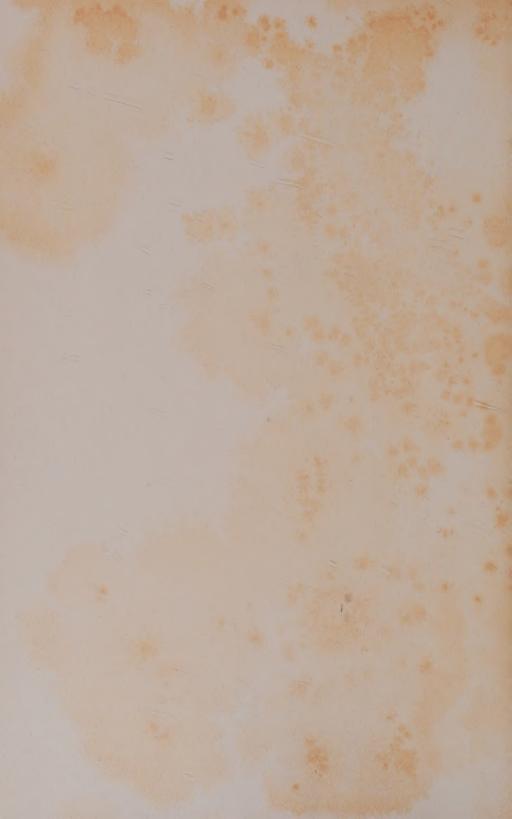
The Chicago Daily News takes pleasure in presenting this copy of

Europe's Economic Sunrise to

a. M. Railslack

As a contribution to the cause of world enlightenment, political peace and economic progress, these interviews, originally published in The Chicago Daily News, are here compiled in permanent form in a limited complimentary edition, of which this copy is Number 2401

Europe's Economic Sunrise







Europe's Economic Sunrise

A Survey of the Constructive Forces Contributing to Its

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The Plan of the Book

By DR. MAX MASON

Prinders of the University of Chicago

Photograph of by Kugone L. Ray

THE CHAPTOO DAILY NEWS

GENERAL CHARLES GATES DAWES

Former Chairman of the Dawes Committee

THE MAN WHOSE NAME WILL BE INTER-WOVEN FOR ALL TIME WITH THE RECONSTRUCTIVE ECONOMICS OF THE WAR.

Photograph @ by Eugene L. Ray

Europe's Economic Sunrise

A Survey of the Constructive Forces Contributing to Its "Spirit of the Morning"

By Edward Price Bell
Dean of the Special Foreign News Service
of The Chicago Daily News

Introduction
By General Charles Gates Dawes

The Plan of the Book

By Dr. Max Mason
President of the University of Chicago

THE CHICAGO DAILY NEWS

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Dedicated

To the Proposition that in All Departments of Human Affairs the Big Idea is Better than the Big Stick



Introduction

R. EDWARD PRICE BELL, acting for The Chicago Daily News—a paper which here gives us an illustration of journalism busy on its highest plane of national and international service—has traveled in search of exact observation and correct thinking. His book resolves itself into a series of studies of great personalities—a work impartial, lucid, and fascinating. One is introduced to the sentiments and opinions of more than fifty remarkable men, Britons, Frenchmen, Italians, Austrians, Czechoslovakians, Germans, and Americans.

Mr. Bell's questionnaires contemplated many subjects, and many groups of subjects, all concerned with the questions: "What is the matter with the world?" and "Where lies the path to its prosperity and peace?" He was objective, honest, and thorough, and so far as I can judge, the men whom he saw met him in a spirit

worthy of his purpose.

It is an inspiring thing—this example of journalism and human competence in many lines doing what they can to be unselfishly

useful to mankind.

The views expressed vary, but this book is a vivid picture of the feelings and thoughts of many famous men for the study of those who would know something not only of economics, but of what is stirring in the hearts and minds of powerful nationalities respecting the query, "How set the tides of the world?"

Economics is not an easy thing to understand; it is about equally difficult and important. We are in need alike of its knowledge and of its principles, for we live by economics; it bears upon the daily

lives of every man, woman, and child in the world.

Mr. Bell has probed for the crux of things. The qualifications and the digressions of the economists—so mystifying to the ordinary reader—are absent. If something of scientific accuracy or completeness thus be lost, a vast deal of intelligibility is gained.

This book was made for the popular reader rather than for the professional economist, though the latter scarcely will wish to ignore

it.

Thorse House



The Plan of the Book

TT IS a familiar phrase that we are living today in a scientific age. For one thing, the conditions surrounding our lives are being rapidly changed by the applications of science to technology. We are living in a world of automobiles, telephones. aeroplanes, radio-broadcasting, and a thousand and one things which make the sphere of an individual's activity an everincreasing one. But the statement that ours is a scientific age means far more than that we are using these intricate tools. It means, indeed, that the very temper of men's mentality has become scientific and that the technic of fact-finding and generalization, which is the essence of the scientific method, has reached widespread understanding and appreciation by virtue of its tangible results.

The critical turn in man's affairs which produced this result took place but very recently, as human affairs go. About 300 vears ago Gallileo dared to question the authority of Aristotle. and experimented with falling bodies on the leaning Tower of Pisa. That day was indeed momentous. Not so much because he found the truth about the way stones fall to the ground, but because he dared appeal to experiment to find fact, combating, in his courageous course, the violent opposition of the learned men of his time. On that day the science of mechanics was born, and the impetus given to that remarkable progress in

knowledge which has resulted in the sciences of today.

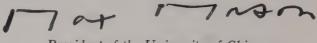
A second turning point in human affairs has been reached more recently. Practically within the limits of a generation man has begun, consciously and deliberately, to guide and control his destiny; with the aid of scientific knowledge to master and shape his physical environment, his social environment and even himself. Three hundred years ago he emerged from dogmatism, superstition, and appeal to authority as the means of answering his curiosity on the laws of nature. Today he is struggling to emerge from a like attitude of mind in relation to the studies of human behavior.

This field is even more difficult than the realm of the natural sciences. Here is prejudice more deeply entrenched, selfishness and provincialism more completely in control of the mental attitude than was the case with the physical sciences. But so great was man's success in the field of these sciences that he has courage to fight against his own prejudices in his new attempt to evolve rational study of the behavior of man as an individual and as a member of the community. The distance still to traverse before social sciences become real sciences is undoubtedly great; but when one recalls the mental attitude before the time of Gallileo, and the startling simplicities which have emerged from the detailed and painstaking fact-finding of the natural scientist, one cannot fail to look with high optimism on the attempts to study honestly and fearlessly the situation governing man's social life.

Unless man can set his social house in order, his chance to carry out the Great Experiment will be lost, and all his knowledge of natural law, so dearly bought, will but serve to bring him the quicker to disaster. We have today clearly in memory the terrible penalty which we must pay for bad habits of social living. We are breathing freely again in the United States, but we know that men in other lands are not. The conflicting economic, political and social forces bring each day new world problems. Whether these stresses result in conflict or cooperation depends on the education and breadth of understanding of

those whose interests are at stake.

In this generation control is possible only by broad and general understanding. In preparing this volume, Mr. Bell has performed an unusual educational service. We find here the sentiments and opinions of nearly sixty leaders of economic and political thought of Europe and America presented fairly, clearly, and vividly. Mr. Bell has furnished us valuable material to aid in developing the knowledge of world problems so necessary for international understanding and for world citizenship.



President of the University of Chicago.

Prefatory Note

IN THIS volume are gathered together articles and interviews which have been appearing at short intervals during the past ten months as features of the Special Foreign News Service of *The Chicago Daily News*.

Representing, as it does, thousands of miles of travel, a not inconsiderable expense, and the cooperative labors of many noted specialists, the matter has seemed to call for compilation as a permanent record of contemporaneous political, social, and

economic thought.

While the world of fact and of opinion is never static—changing, indeed, from day to day—so fundamental are the issues herein discussed, and so gradually does the complicated post-war situation unfold, that it is felt none of the chapters of the book will be found to have lost pertinence or vitality by the lapse of time.

Even in Great Britain, the country engaging the earliest of these inquiries, the basic national problems, with their international relationships, do not differ in any substantial particular from what they were when the inquiries were made—a fact established by very recent articles by such experts as Sir Josiah

Stamp and Walter Thomas Layton.

The Chicago Daily News is keenly sensible of the public spirit of the busy men who have contributed to this survey of world conditions, and it trusts that the educational results likely to be accomplished will seem to them a not inadequate compensation.

In it all there has been but one aim—to allow some of the ablest thinkers of some of the leading nations to express themselves without reserve in what they conceive to be the interests

of the international community.



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Great Britain's Historical Crisis

ONE is scarcely off the boat in Great Britain today when one begins to be conscious of the psychological change of the past few years. Quite probably, indeed, one has felt this change at sea—become subtly aware of it through the silence or the speech or the appearance of British fellow passengers or members of the vessel's personnel.

It is a profound change. Viewed as either a negative or a positive phenomenon, it grips the heart and stirs the mind. One feels in the atmosphere of drama, and not make-believe drama, but the drama of human life and of history. One feels, too, in some mystic way, that the play is not outside the range of one's own concern—not a thing nationally apart—but instinct with universal significance.

What is happening?

Great Britain, like the whole of Europe, is passing through an historical crisis of the first order. Fundamentally, as I see it, this crisis represents a struggle of the European masses for the larger liberty and the greater happiness which spring from widely-diffused prosperity. Europe's workers are too poor. They know they are too poor. They have heard of America's economic progress. They are saying to their leaders, to their elite, "Show us a way out of this wilderness!"

Certain nations of continental Europe have political crises of a crucial character. These nations have not found themselves constitutionally. Their traditions are not those of Great Britain. They are wavering somewhere between the realms of autocracy and democracy. Great Britain has no political crisis. No one demands that the king shall go, nor that parliament shall shut up, nor that any part of the constitution shall be scrapped. Great Britain's crisis is purely and simply a social and an economic crisis.

Moreover, the social crisis, so far as the phrase suggests class warfare, seems to have no really serious features. I never have been able to observe in the past, and cannot observe now, that the British masses are affected by any considerable antipathy to the British classes, as such. British workmen have no objection to education or refinement or decent leisure or a high standard of living. On the contrary, they respect these things,

as they respect the gentleman, so long as he is a gentleman. What disturbs the British working class are not social distinctions, but an economic condition that strikes it as squalid,

unjust, insufferable, and unnecessary.

Is it unnecessary? Is there something wrong that good-will, energy, talent, science, modern methods and machinery, can put right? This is the burning question of the whole position. Employers and employes, the fortunate and unfortunate, are too far asunder. Neither wants to slaughter the other; neither wants, in breaking or modifying the will of the other, to break society; but neither has with the other the sympathy essential to that parallelism of purpose and effort without which mutual prosperity is impossible.

Understanding, harmony of endeavor, between the complementary factors of production—these are the great objectives toward which British spiritual and intellectual forces are moving. And these forces never before were so active, so earnest, so passionate, as they are at this moment. Great Britain is sounding new depths of feeling and ascending new heights of thought. She is aroused more thoroughly, is intent and experimentally constructive over a larger area of her population, than she was in the darkest hours of the World War.

"Toil of thought for the national betterment"—the expression of England's greatest economist, Sir Josiah Stamp—is found in all sections of the community. Statesmen and politicians are thinking. Divines and scholars are thinking. Economic experts are thinking—striving to translate their shadowy abstractions into concrete national benefits. Manufacturers, merchants, and bankers are thinking. Journalists are thinking. Miners, transport men, workers of every class, cab drivers and valets, are thinking. And, to an extent heretofore unknown, the youthful *intelligentsia*—the university men—are making their contributions to "the toil of thought for the national betterment."

It is a great spectacle—this spectacle of the morality and the intelligence of one of the foremost unit; of advanced civilization rallying to a world-honored flag. Dark as the outlook is—and no capable and honest observer can call it bright—one looks in vain for despair. It is not here. "Defeatism" is ruled out of the national calculation. Old and young, women and men, are far too busy with ideas and schemes of recovery to tolerate counsels or impressions of disaster. Yet it is a fact that the actual methods and mechanism of recovery are yet to be evolved.

If anything, too many ideas—not too few—are Great Britain's embarrassment now. There are not, of course, too many good ideas, but the task of winnowing the grain from the straw is almost overwhelming. Premier Baldwin and his cabinet, cool and resolute as they are, cannot escape a certain distraction. General suggestions and carefully formulated plans daily beset them. Probably not one in a score of these suggestions or plans can be examined with any fulness. It is hoped only that in the end the saving idea or ideas will be extracted from the mass.

Into all the important details of a situation as fateful as it. is complex I am hoping, with competent assistance, to make more or less fruitful inquiries. It is a subject that more and more enlists the sympathy and the interest, if not the anxiety. of the world. If students of government and of economics are turning their thoughts increasingly to the United States to plumb the secret of its growing wealth, so are they studying Great Britain, with its problems of geography, raw materials, and population, in search of lessons for battling against conditions that threaten a degree of general poverty incompatible with the stability of capitalistic democracy.

Signs of the Altered Mood

Y/HAT are some of the surface aspects of Great Britain's profoundly altered mood? Symptoms of post-war feverishness—the high temperature, the quickened pulse, the thirst for an unending sequence of excitement—are gone. Great Britain's eye does not shine as it shone five or six years ago. It does not shine as it shone two years ago. It is steadier. It is more rational. It reflects the grave and resolute spirit of a nation perplexed, of a nation heavily burdened, but of a nation calmly bent upon measures of redress.

To dine at any leading hotel or restaurant in London at this time is to have an experience totally different from that of a similar occasion as late as 1924. Great crowds assembled then. Dining rooms overflowed. Lobbies were packed. On every hand were movement and babble and the incessant beat of jazz music. Hotel and restaurant managers wore themselves to shadows creating accessory attractions of floral and decorative appeal. It was a bedlam of pleasure—a stirring and beautiful bedlam, but a bedlam,

Chill winter has fallen over all this. Foliage and flowers are depleted. I do not mean that these dining rooms are desolate or empty now. I do not mean that they are as silent as the grave. I do not mean that utter muteness has overtaken the wind-instruments and the strings. But almost indescribable is the transformation. No jostling concourse of revelers. Just moderate gatherings of quiet diners. All the exaggerations, all the superfluities, stripped from the scene, and something effectual done to the moaning saxophone!

Life has administered to Great Britain an efficacious febrifuge. Immediate post-war stimuli no longer please. Discordant mob pulsations have lost their tickle. Syncopated music runs ill with the national preoccupation. Britons still love flowers and music, but they are turning back to the simpler blooms of their traditions, and seeking solace in the varied and exquisite harmonies, and in the rich spiritual substance, of the old and new triumphs of musical inspiration. Dining tonight in London, one does not jump to jazz; one grieves or rejoices with composers like Mozart, Verdi, Chopin, Mendelssohn, Tschaikovsky, and Mascagni.

Prohibition is unknown in Great Britain; British statesmen, whether opposed to alcohol or opposed to the social evil of betting, do not push recklessly into the domain of the moralist and the educator; they know that unenforceable laws are vicious laws. Prohibition is unknown here, but temperance is quite general. Among the upper classes it is far more general than it was. Dining in London in the early years after the war, one often saw a man in evening dress whisking a sparkle into flat champagne with a fork; now one sees the corresponding person whisking a sparkle into Scotchless sodawater, grown still.

Fox-trotting and one-stepping and waltzing convulsed all England for half a decade after the armistice. It was a sore-hurt people's ecstatic escape. Was not the war over? Had not the big guns quit roaring? Were not the living once more home? Had not liberty—costly liberty—been saved? What fitting thing was there to do but to dance? To the British capital flocked the greatest jazz artists of the world. Relaxation, forget-fulness, joy—oases of joy in measureless wastes of bereavement—these were England, these Great Britain, these the British Commonwealth of Nations.

It is different now. Britons have come to see that the armistice was not the end, but the beginning, of their latest test as an independent, freedom-cherishing, and freedom-serving people. So the frivolities, generally speaking, have had their flaunting

day and passed into oblivion. Seriousness of temper, showing in look, word or act, has supervened in all the principal walks, if not in every nook and corner, of the country's activity. Science, literature, art, and the drama are sensitive to the new emotions. Invention is at concert pitch. Fiction, poetry, painting, playwriting, and music reveal increasing originality, audacity, judgment, and elemental vigor.

Doctrinaire thinking, pride of intellect, over-confidence in cultural background are perceptibly less disdainful than they were in days of comparative buoyancy. There was a time when intellectual Britain did not care. It had no fears. It implicitly trusted its inheritance of wisdom, its experience, its knowledge, its powers of ratiocination. Salvation always would come to the British, not in any noteworthy part from abroad, but nearly in toto from the fathomless wealth of their historical and cultural patrimony.

Upon this patrimony, undoubtedly, they still mainly depend and will go on depending. But their complete intellectual self-trust plainly has been shaken. There is a break in their introspection. They are looking round. They are asking themselves if the experience and the reasoning efficiency of other peoples can be of any use to them. With their mode of life they are content. With their political institutions they are content. With their general civilization they are content. But rude and painful facts tell them that with their economics they dare not be content.

Four-fifths of Great Britain's 40,000,000 people are very poor. They are as patient as they are poor. Revolutionary fires find them as asbestos. But, after all, they are human and there is a point beyond which human endurance cannot go. It is a realization of this fact which is producing the altered mood in Great Britain and arousing economic curiosity with an intensity and on a scale heretofore unknown. There are few so blind as not to see that an economic revolution is inevitable. The only question is whether it shall be accomplished by violent or by peaceful means.

Lugubriousness, it should be said, marks no feature of British behavior in this crisis. If faces usually are sadder than normally, they are by no means without smiles. Humor continues to ameliorate gloomier discussion. Wit flashes in public debate. Sports have their old vogue. Wide and delightful tennis fields swarm with absorbed spectators and keen, quick, firm-handed, flushed players. Men, women, and children flow to London's lovely parks as of old—flow thither to bask in the sun, and

watch the ruffled waters, and scent the gorgeous turf, and dream among the shadows, and draw inexpressible pleasure from the marvelous color-opulence of irises and rhododendrons and hydrangeas.

Deepened Spiritual Resources

EUROPE'S spiritual renaissance—this, in my opinion, is the big thing for America and the rest of the non-European

world to be pondering.

Renewed spiritual vitality always issues in renewed material power. Possibly a spiritual renaissance, in some sense, is proceeding among all nations. This type of reawakening, however, is in proportion to self-denial, to hardship, to suffering, to necessity, and Europe perhaps in a superlative degree has the benefit of these disciplinary and developing influences.

Great Britain, at the moment, is one of the most severely tried nations in Europe. Her encompassing difficulties are so thick as to seem insuperable. She is not unlike a navigator who, long without sight of the sun, stands still or feels his way in a dense fog. But strong qualities are growing under the strain. Great Britain is building up a more sensitive and a more powerful social conscience.

Danger, so far as there is danger, attaches to the fact that spiritual wealth, invaluable though it is, is not enough. If men do not live by bread alone, neither do they live by spirituality alone. In the British Isles and pretty well all over Europe there appears to me to be a race between reviving psychological resources and poverty. If psychological resources win—and I think they will—poverty gradually will go, and

Europe will enter a new epoch of history.

But if poverty should win? If the renaissance of conscience and intellect should move too slowly? If the well-endowed spiritually and the well-trained mentally succumbed to their problems? In this event, of course, there would be a catastrophe. Europe probably would see widespread bloodshed. There certainly would be wholesale destruction of existing institutions. Conscience and intellect, heart and head, having failed—and success by some of the opponents in the great pending social and economic struggle would mean such a failure—brute force, a new barbarism, would have their period of carnival. London, Paris, Berlin, Rome might weep. Many a capital far and wide

might weep. Washington might weep. But there is one capital that would not weep. Moscow would not weep.

Just here it is not without pertinence to remark that a great number of Europeans, British and continental, is convinced that America, rather than Europe, is in danger. This school of thought is more afraid of prosperity than of poverty. It thinks America is too rich. It thinks our very food, like that of Midas, is turning to gold. It thinks if we found relief, as Midas found it, by washing in a river, the sands of that river forever afterward would glitter with their auriferous contents. It is one of those fairy stories which nations like to believe about other nations of whom they are ignorant, and concerning whom their accepted mentors too often mislead them.

Europe, in its poverty, in its distress—of course, there are millionaires and multi-millionaires in Europe as elsewhere—hears of America's supposed universal abundance and is envious. It is bitter. I think it safe to say that millions of Europeans pray, or almost pray, that some instructive and chastening calamity may overtake the United States. It is not unnatural. If the situation were reversed, our secret, if not definitely articulated, prayers probably would be much similar. Europe believes we got rich out of the war. It believes its garden of agony was our region of Spanish conquerors' dreams.

Both in America and on the other side of the Atlantic there has been altogether too much loose talk about the wealth of the American people. America is undoubtedly a wealthy nation, as Great Britain, for example, is a wealthy nation. But America, like Great Britain, has millions of citizens with only a moderate living scale, hard though they work. If America's general standard of living is higher than that of any other nation—as it is—the fact is due, not to Americans having too much, but to other peoples having too little.

Americans, indeed, have chased dollars—not an ignoble pursuit, in the main, for clean dollars are only the purchasing correlatives of honest human effort—but Americans, as a nation, have not chased dollars too successfully. Europe's publicists well might tell Europeans this. Such information would be internationally appeasing. What Europeans supremely need to do just now is to chase shillings and francs and marks and lire as smartly as Americans have chased dollars. It is an exercise, incidentally, as hygienic morally as it is ameliorative materially.

Nevertheless, I repeat that Europe's spiritual renaissance—the qualities she is acquiring from her griefs and adversities—

are worthy of consideration as the most important features prospectively of the current European situation. More fortunate peoples, or peoples who appear for the moment to be more fortunate, should be especially on their guard against the evils of materialism. They should not forget that spiritual greatness triumphs in the end. They should compel such uses of their money as shall enrich, not impoverish, the national soul.

It is inspiriting to any friend of mankind to discover that, while some English writers continue to take flings at America for her "vulgar worship of money," other and abler English writers are discovering and declaring that money has virtues, that it will buy things worth having, that it is not necessarily vulgar at all, that—if the whole truth must be told—money bears a fateful relation to the question of whether our western civilization shall be kept or lost. What is George Bernard Shaw telling the British in their tribulation? This: "Money represents health, strength, honor, generosity, and beauty as conspicuously and undeniably as the want of it represents illness, weakness, meanness, and ugliness."

This, I submit, is better moral and mental nutriment for the British and the Europeans as a whole than is much of the satiric and superficial matter supplied to them about America. Just as America should search sympathetically for those things in British life, and in all life, which will make her sounder and happier, so the British and other groups of humanity should put aside their jealousy and antipathy toward America, and, in the spirit of science, ask themselves, "What has this people accom-

plished that might serve us in our need?"

Britain's Man on the Bridge

WHAT sort of man is Baldwin, Stanley Baldwin, British Prime Minister, captain of the ship of English democracy in its battle with heavy seas? His name, I believe, signifies "bold winner" or "prince friend." Bold he certainly is, though so quiet, and the great bulk of the British people looks upon him as likely to achieve victory.

Premier Baldwin's objectives are peace and prosperity in British industry, with the corollaries of these—the happiness of the British people and the stability of the British State. Admittedly, no harder or more anxious task ever faced a prime minister in England, not even in the most critical hours of the

World War.

Mr. Baldwin is a gentleman—one of the truest. In this fact lies by no means the least magical of the secrets of his rise and power. He is honest, friendly, sincere, and fair. His greeting is cordial, unaffected, co-equal. His smiling gray eyes, set in the seamed, clean face of a very thoughtful and a very tired man, seem to say to you in language you cannot mistake: "I am really happy to see you and eager to know what you think."

Aged 59, a Puritan, a yeoman, a classical student, a lover of good books and good men, an industrialist, a parliamentarian, a statesman, Mr. Baldwin is first of all an Englishman. He is one of those penetrating Englishmen who have a lively appreciation of the qualities of Scotchmen. His nature is such, indeed, that he values worth in all races and nationalities, as he

values truth and beauty wherever he finds them.

This overworked servant of a troubled nation is an aristocrat—though I said as much when I said he is a gentleman. There are "aristocrats" who are not gentlemen, and there are "gentlemen" who are not aristocrats, but there are no aristocrats who are not gentlemen. Mr. Baldwin's people were people of the soil, the common nourisher of greatness. His mother must have meant much to his genius, for she was one of four sisters, daughters of a Wesleyan minister, of whom the other three married, respectively, Lockwood Kipling (father of Rudyard Kipling) and the great artists, Sir Edward Burne-Jones and Sir Edward Poynter, P.R.A.

Literature and art, agriculture and industry, party politics and statesmanship, all are familiar to Stanley Baldwin by virtue of birth, association, training, and experience. In his present position, he is the product of a crisis, and he shows every sign of that compound of character, ethics, and intelligence which fits men to deal with crises. Three years ago, when I relinquished the duties of London correspondent of The Chicago Daily News, Baldwin was almost unknown to the mass of his fellow countrymen. Today he is their universally known political chief. And he has earned it all. In this bare fact, I should think, there is an impressive biography.

Not everybody in Great Britain speaks well of Baldwin. This country is a democracy, and democracies have parties, and parties have points of view. I have heard highly-intelligent Englishmen speak of the premier as "old Baldwin." What a blessing, after all, that some men in this world are old, though age, to be sure, is not necessarily a guaranty of wisdom! Cook, leader of the miners, says Baldwin is a "liar." MacDonald,

socialist, says he has "sounded the depths of blunder." Liberals

complain that "we have not a good government."

And what do independent, or relatively independent, critics say? Of the many brilliant journalists in London, J. L. Garvin, editor of *The Observer*, perhaps the greatest Sunday newspaper in any language, strikes me as one of the most brilliant, as unrivaled in his way, and as an incorrigible insurgent against nearly all the restraints of shibboleth. What does Garvin say of Baldwin?

Garvin says Baldwin is a "dreamer," and says everyone loves a dreamer—as, verily, everyone must. Garvin's complaint of Baldwin is that he "often disappoints us." It comes to this, in my view, that all men, whatever may be the circumstances, and whatever they may say, involuntarily stand at salute in the presence of a leader of Baldwin's acknowledged probity, ability,

and good-will.

Baldwin is an orator. He is an orator without oratorical claptrap. He is an orator who knows that true oratory is not a matter of form, nor yet of delivery, but a matter of substance. James Anthony Froude called oratory the "harlot of the arts." I am not sure I know what Froude meant, but I feel sure I do know that oratory of the right sort is no harlot. Oratory of the right sort is a pure art, and a very powerful one, and Baldwin comes near to being a master of it.

His speeches through the whole of this pending crisis have been a great thing for England and for democracy. He has kept unwaveringly to the right line. Politically, socially, economically, his theses, his principles, have been the theses and the principles upon which English-speaking civilization is built. If you sweep them away, if you put something else in their place, then, whatever you may have, you will have something different from the theory and the practice of society which Britain and America have woven into history.

Mr. Baldwin believes in British democracy as it wells forth from British character and tradition, repudiating in the same breath German socialism, Russian communism and Latin syndicalism. He declares Britain will resist to the death a tyranny of any kind, left or right, communist or fascist, and warns his fellow-citizens in this "testing time for democracy" that they must be worthy of it, must make it serve the people, or face the onset of tyranny in one form or another.

Simplicity, unfailing mark of the first-rate man, is the Prime Minister's constitutional quality. He resolves intricacies that reputedly more brilliant men discuss only to complicate.

"Intellectuals" are a poor reliance in times of perplexity and tension. Prolific in words, easily fluent whether they write or speak, they weary and dishearten with their burden of complexity, confusion, and impracticality. There are interstellar spaces between the "intellectual" and the man of brains!

Lloyd George-Man of Crises

IN GREAT BRITAIN'S exertion to improve her industrial and economic situation, and thereby to re-establish her political and social life upon a solid basis, one of her most renowned public men appears to be emerging from what some were inclined to regard as permanent eclipse. This man, by inborn faculty, is a man of crises. His spiritual home is the political cyclone-belt. Wild waters, domestic or foreign, set him on the wing. He is, I suppose, the world's liveliest human storm-petrel.

Need one name him?

David Lloyd George, for six onerous and dangerous years (1917-23) British Prime Minister, was an old parliamentary hand long before that. He got his politics, not out of his nursing-bottle, but earlier. Just as Swinburne, for example, came into the world a poet, so Lloyd George came into it a politician. He has had his ups and downs. His hat has gone into the ring for countless fights—"all of which," says he, "I hated. I hated them all. I am a man of peace."

Whereupon, his audience claps frenziedly and rocks with

laughter.

Not idolized everywhere in Great Britain for some years now, Lloyd George is reviving. His heart is beating more quickly. His lips are firmer. There is a keener, a more confident, flash in his eyes. He swings from side to side with a surer mien of command. His gestures, his irony, wit, scorn, his epigrams, his similes and metaphors, his spontaneous rushes of eloquence, all bear more vivid suggestions of the little wizard at the height of his wizardry. It is the crisis in him. It is the storm. It is the Lloyd Georgian recoil to the new national strait and the new national psychology.

Ruddy-complexioned, plump, darting bright glances hither and thither, this young-old liberal leader (he is 63 as against Asquith's 74) had a field-day at the National Liberal Club on June 23, 1926, the club honoring him with a luncheon, and

more than 600 excited women and men packing the huge smoking-room to hear him speak. I sat within a few feet of the orator. He was at the top of his form. It was the happiest day, and the most triumphant day, of his life since Baldwin shattered the coalition cabinet in 1922 and paved the way for his own

smashing victory at the polls in 1925.

All had not gone well of late in the loftier altitudes of liberal leadership. Asquith was leader of the party in the country, Lloyd George in the House of Commons. Wedded recently, their honeymoon was short. As ever, with these high contracting parties, there was incompatibility of temperament. They quarreled over the general strike. Asquith did not like Lloyd George's conduct and said so. There was a beautiful connubial spat. Asquith and his liberal loyalists, men like Lord Grey and Sir John Simon, forming the so-called liberal "shadow cabinet," decided that the Welshman should be divorced and ejected from the liberal household.

Liberalism in the country did not approve these drastic tactics, and the National Liberal Club luncheon was to assure Lloyd George that the liberals of London, and the mass of the liberals of this famous club, still considered him a pretty good fellow. Lloyd George liked it. It was to him as the bracing air of his Welsh hills. It put radiance into his eyes, and deepened his color, and loosened his arms, and restored to his tongue its wonted tones of silver. And, if the spirit of the occasion gave the speaker joy, there could be no mistaking the fact that the speaker reacted upon the audience correspondingly and in full measure.

One never listens to Lloyd George and witnesses the popular effect of his personality without a temptation to essay some analysis of his powers. How does he usually so completely enchant his hearers? Stocky though he is, he makes a good appearance, for his big head is set squarely upon sturdy shoulders, and there is a leonine touch about his gray-white hair, which falls below his ears and is cropped evenly all round. His face is a fine one, in some respects almost femininely delicate, and emotion and intelligence play there like sunlight upon water.

It would be easy, as many do, to put this man's electric influence down to histrionics. He *is* an actor. He is an actor both by internal quality and external facility. At his best, he holds his audience, however large or mixed, in the hollow of his hand. People do not take their eyes off him. They become wholly self-forgetful. They smile or grow serious or laugh out-

right as if they were so many living puppets. It is a wonderful show—Lloyd George's nature and art acting upon the hearts and the minds of a great assemblage of his instinctive disciples.

But Lloyd George, as I interpret him, is an actor only superficially. At the roots of his character, in my view, he is a statesman, a real statesman, a man who takes to politics and statecraft out of a primal interest in and love for his fellow-men. Here we have, I fancy, the true secret of his capitivating and vitalizing ascendency over millions of his compatriots. He reminds me in turn of many things and persons relatively trivial—of a storm-petrel, of a fighting-cock, of a mystifying conjurer, of a brilliant light-weight boxer, of a dazzling acrobat. But no such image sheds any light upon Lloyd George's profounder qualities, which alone explain his long-continued and continuing political prominence.

What does he say to existing conditions in Great Britain?

He says they are bad, politically unsatisfactory, economically behindhand, socially clamorous for far-reaching reform. Toryism, in Lloyd George's opinion, should go. If toryism went, with all it means, and socialism followed it bag and baggage into the wilderness, then Lloyd George's "building creed" of liberalism, as he reads the crystal of current affairs, would set to work systematically to reconstruct the British realm worthily of itself and of its international status. Liberalism would reorganize agriculture and manufacture, solve the coal problem, give urban populations light and health, abolish poverty, fortify free trade, safeguard liberty, and diminish the threat of war.

A magnificent program?

Indubitably. But scarcely more magnificent than Lloyd George's obvious faith that unfettered liberalism could carry it out!

What of Ramsay MacDonald?

"WHAT has happened to MacDonald?"
It is a question which rises naturally to the lips of those watching the course of events in Great Britain. Of the premiership of Baldwin, both officially and in the leadership of the conservative party, there can be no doubt. It seems equally certain that Lloyd George is the dominating liberal figure of the moment. But Ramsay MacDonald, first among socialists and titular chief of the labor party—what of him?

Premier Baldwin is all feeling and thought, if markedly cautious in action. His two hands are firmly on the wheel. No conservative planning, still less any public initiative on the part of his colleagues, goes on without his knowledge and approval. Lloyd George, with his fresh, limpid, restless, everfertile mind, keeps the liberals on the *qui vive* and confident. MacDonald, latterly, has exercised over his nominal followers no comparable charm.

He simply has not been a great radiant and controlling force in this crisis. He has been as one stunned. He has been as an air pilot in cloud and uncertain of his bearings. His speeches have been confused and non-directive. Severely critical, and critical in most directions, these utterances have been misty, negative, and non-constructive. His friends and votaries were waiting for him to say something clear and useful, and he did

not say it.

What is the lesson?

That momentous times in a nation are inimical to any form of trifling, to indecision, to jumbled ideas, to infecund partizanship. Such times call for clarity and precision of thought. They call for honesty and courage. They call for creative ability, for the power to originate, for energy. If decisive or hazardous periods of history are a testing time for political systems, as Premier Baldwin says they are, they are similarly a testing time for party leaders. There hardly can be many dissentients from the view that Britain's hazardous recent months have failed, so far, to discover the material of great leadership in the former socialist and labor premier.

Is his leadership endangered?

There are some who think so. But I doubt it—just now. Very soon, even tomorrow, he may step out of the golden haze of rhetoric into the stark daylight of realism. He has great qualities and has had a great experience. There is gold, not only in his rhetoric, but in his character. In numberless ways, he has paid the price, and beware of the man who has paid the price! Socialists adore him. They see magnitude, ballast, promise, in him. If he, as yet, has not risen to the crest of an unparalleled complication, he has his immemorial ideals and his unquestionable consecration.

It is some of MacDonald's associates in leadership who have been, and are, on the firing line of this battle-ground. Thomas, secretary for dominion affairs in the MacDonald cabinet, is one of them. Thomas is a practical man, a square man, a sympathetic man, and an active man. His weaknesses as a labor party leader are perhaps neither more nor less than his sanity and impartiality. Extremists cannot trust him. He is given to compromise. His instincts chime with consultative, with parlia-

mentary, with English, institutions.

Thomas was one of the outstanding characters of the controversy of 1926, and Snowden, chancellor of the exchequer in the MacDonald cabinet, was another. Snowden has been growing in statesmanlike qualification for many years. I have referred, in a previous chapter, to "intellectuals" as contrasted with "men of brains." I call Snowden a man of brains. There probably is not a clearer intellect in England than his. He is as far as possible from the visionary and the rhetorician. He knows his facts, clings to them, and builds his arguments symmetrically upon them.

Convinced socialist though he is, Snowden knows Great Britain cannot live by abstract philosophy. He appreciates the world, not merely as dreamers would have it, but as it is. To the story of American economic progress, for instance, he would not turn a deaf ear, but would hear the story and try to profit by it. I am not sure Snowden is very fond of America. I fancy he has absorbed a good many of Europe's anti-American prejudices. But, if he has, his disposition is to put these prejudices aside and open for serious study the book of America's

experiences and achievements.

Certain inheritances are good for a time and then cease to be good. Of such inheritances England has a fair number. I will not say they are political; Baldwin doubtless is not far from right—though one may question whether he is entirely right—when he claims that England has nothing to learn politically from any other nation. England is not bad off politically. Her constitutional institutions are flexible, efficient, democratic. But of England's economic inheritances not a few are extremely bad and Snowden belongs to that group of English thinkers which is frankly cognizant of this fact.

Socialists and labor men who have not begun to think in any open-minded way attribute all Britain's ills to the chronic meanness and recalcitrance of the employing class. Snowden does not do this; he has read history and examined facts to better purpose. He knows if either employers or workers can be said to be blameworthy both can be said to be blameworthy. There has been a reciprocation of folly and injustice. Employers have tried to get the best of it, and workers have tried to get the best of it, and so has been set up a vicious interaction that has persisted for a century.

"Get rid of all this!" counsels Snowden.

Quit being foolish. Be scientific. Grasp the truth that capital and labor are not enemies but friends, not antagonistic but complementary, and that the law of all successful industry, like the law of all socially prosperous enterprise, is affirmative harmony. Snowden recalls the fact that British employers long discouraged their work people from thinking; their job was not to think but to work. "Get rid of that!" Work-people had fought mechanical power as an aid in industry. "Get rid of that!" Employers had been afraid of high wages, employes of the free growth of skill. All these things Snowden would consign summarily to the lumber-room of feudalism.

Of such sort are some of the gleams of the new day breaking

over the British world of toil with brain and hand.

Contrasts in British Leadership

CONTEMPLATING the field of forceful personal leadership in Great Britain's industrial travail—the travail of transition from archaic to modern ideas, methods, and mechanism—one cannot be inattentive to the impassioned Mr. Cook. Mr. Cook, A. J. Cook, a robust man of about 45, is the miners' secretary and fighting champion, and no one charges him with lack of vigor or courage.

Lord Birkenhead does not like Mr. Cook. And Lord Birkenhead is a very distinguished man. Lord Birkenhead, pre-peeragely, was press censor—in those dim, half-real, horrible days of the deluge. And then he was lord high chancellor. Now he is secretary of state for India, bigger than the continent of Europe (minus Russia), with more than 300,000,000 people, and with almost innumerable religions, castes, and vernacular languages.

Mr. Cook, miner and miners' leader, according to Lord Birkenhead, is a dangerous man, a socialist, and a socialist who seeks his goal through underhand and indefensible devices. It appears that Mr. Cook sometimes, in the heat of argument, tears off his collar and spills his studs. Lord Birkenhead calls this "artificial reinforcement" of oratory and reprobates it as unfairly competitive.

But this is not Mr. Cook's cardinal offense, in the eyes of the secretary for India. Mr. Cook has displeased Lord Birkenhead principally, not as an orator, but as an author. Mr. Cook, in collaboration with another man, also presumably dangerous, a Mr. Ablett, has written a pamphlet entitled, "The Miners' Next Step," in which it is proposed that the mines shall be bankrupted by deliberate under-production to force nationalization.

Not a pretty political weapon, to be sure!

And Mr. Cook has another enemy, again a very distinguished man, Winston Churchill, half American, long known for "liveliness" in British politics, now chancellor of the exchequer, he of Gallipoli fame, the suffragettes' "dear Winnie," Lloyd George's fomenter of erstwhile "mad enterprises" in Russia. Mr. Churchill thoroughly disapproves of Mr. Cook, not only because Mr. Cook, in Mr. Churchill's judgment, is a destructive influence in British industry, but because Mr. Cook welcomed bolshevik money for the striking miners.

One would wish to speak with high respect of Lord Birkenhead and Mr. Churchill. Their careers are remarkable. Their positions are exalted. And there is no doubt about the ardor or virility of their patriotism. Most men, in any case, can unite with them in their hostility to the creed of Moscow. They seem to understand Moscow. They believe in giving Moscow as good as she sends. They see no reason why Moscow, with its gnawing appetite for vituperation and bluster, should be overfinical concerning "coarse" characterizations of Moscow abroad.

But is Mr. Cook so dangerous as Lord Birkenhead and Mr. Churchill appear to believe? Is he as dangerous, really, as is the die-hard toryism of the Baldwin cabinet? Many doubt it. There is a growing force in British life that must be set free. It is the force of steadily intensifying popular morale, popular intelligence, and popular will. It is the very force that holds out to English democracy its only hope. If Lord Birkenhead and Mr. Churchill get in the way of this force—I am not repeating charges that they are prone to do so—it were better for them that politically they never had been born.

A. J. Cook is a socialist, though he probably would be hard put to it to define what socialism is. "Socialism," as a matter of fact, meaning everything, means nothing any more. There are as many different kinds of socialism in Europe as there are different countries in Europe; indeed, it is not utter abandon to say that there are almost as many different kinds of socialism in Europe as there are socialists in Europe. Cook is a socialist, and MacDonald is a socialist, but politically they are not on bowing terms.

Both these leaders, however, are democrats. That is to say, neither proposes, in setting up socialism, to set it up otherwise

than by democratic methods. Neither is an advocate of violent revolution. If Cook accepted money from the bolshevists—money to stay the pangs of hunger in the coal fields—he did not accept it with revolutionary intent, however certain it may be that this money was sent with such intent. Cook took Russian money as aid in an industrial dispute, and he asserted that the miners' strike was revolutionary only in the sense that the moon is made of green cheese.

And the assertion was right.

But how long will such assertions remain right? Is it preordained that British labor-strength and pro-constitutionalism shall stand forever as synonyms? Is there no risk of their becoming antonyms? Our finger now is on the danger point. There should be no talk in tory quarters of "giving the miners and trade unionism in general a good hiding." This way lies trouble. Trouble, too, lies in Mr. Cook's uncritical and unintelligent attribution to capital of the whole of original sin. Original sin, to my mind, is one of the very few things in the world that ever were equally distributed!

Quite a lot can be said in derogation of Mr. Cook. His foolish expressions blush like poppies in the full blushing season. He thanks God for Russia. He is, or was, "a humble disciple of Lenin." He is "hysterical" and "neurotic" and occasionally "collapses on the platform." He was against fighting the Germans or anyone else. He cries loudly, "To hell with everybody, bar my class." He has been in jail. He has advocated throwing non-unionist miners down the pit. But, after all, Mr. Cook has broken no bones, and the non-revolutionary miners, doubtless smiling to themselves, said, "Go to it, my boy!" and persisted in peaceful idleness.

Mr. Cook is far less significant as a man than as a symptom. His hysteria and neurosis and collapsibility; his opposition to war; his passion for his class; his contempt for iron bars; his rage against non-unionists—surely, there is some cause for these pathological phenomena. Mr. Baldwin knows there is. He knows the cries of A. J. Cook are but the impersonal cries of poverty, of affliction, of the sustaining mass of British society demanding an economic system scientifically conceived in the interests of the people.

Lord Birkenhead and Mr. Churchill, one feels bound to suggest, well might defer to the deep, serene, slow-to-act, human Baldwin. Such a man, at a moment of destiny, may save other men from themselves, and save his country from irreparable calamity.

Strachey-Man of Letters and Publicist

IN THE grand clash of ideas attending Great Britain's endeavor to right herself industrially, one of the most vital, fascinating, and useful minds is that of John St. Loe Strachey, famous as editor, critic, man of letters, fearless publicist, and

uncompromising democrat.

To talk with Strachey is always a delightful experience, especially to an American, for of living Englishmen he probably is the one who understands America best and appreciates her most. He knows her history, constitution, and people. If his admiration for her is discriminating—and Strachey's sentiments seldom elude his critical faculty—it unfailingly reveals the sympathy of both intimate knowledge and innate fondness.

Strachey's mind is much too good a mind to harbor hatred of any nation. It is an independent mind, a mind that galls under shackles, a mind inherently distrustful of catchwords. Conservative by primary impulse, Strachey is none the less responsive to actuality, adaptable, progressive, alive. His spirit's thirst is, not for what has been held to be true, not for what pickled epigrams affirm as true, not for what party slogans roar forth as true, but for what the latest ray of scientific discovery lights up as true.

Sallow, gray, telling in his face a story of high ideals long and sternly ensued, Strachey has features as sharp and eyes as discerning as is the pen he wields. Searching, fluent, brilliant, he is, above everything else, sincere; sincerity is the all-resolvent element of his moral and artistic composition. It is this cloudless sincerity, coupled with substance and sanity of matter and sententiousness of manner, which makes Strachey a constant energizing influence in British literature and politics.

That such a man would vibrate with intensity to any trial or peril of his country goes without saying. Great Britain's post-war burdens, her business and financial problems, her unemployment, her industrial brawls, her strikes, have weighed heavily upon Strachey's conscience and eaten deeply into his time and strength. But, reclining in an easy chair, hands clasped, he looks steadily at one, discusses fully and frankly the nation's troubles, and emits a gradually deepening impression of invincible confidence.

Is this confidence justified?

I wish I knew some one who could answer the question. There has been similar confidence in many periods of British history. There was similar confidence after the Napoleonic

wars. There was similar confidence through every vicissitude of the nineteenth century. There was similar confidence from the beginning to the end of the unprecedented ordeal of 1914 to 1918—and no one, in this time of unequaled uncertainty and agony, exhibited this confidence more serenely or unwaveringly

than did John St. Loe Strachey.

Hitherto, for many hundreds of years, British confidence has been irreducible and, for the most part, justified. It is upon the strong strands of this confidence that British national and imperial achievements have been strung. I can detect no evidence that the strands have deteriorated. Strachey says they have not. He says fresh and stronger strands are being twisted. He says there is only one faith that ever can be verified in the British Commonwealth of Nations, namely, the faith that it is destined ever to live, not less, but more, splendidly.

"Break away from every hampering feeling, notion, condition, and custom!"—Strachey, in a nutshell, on Great Britain's need. Employers and employes, instead of trying to beat, should try to meet, each other. They should know that patriotism—and both are patriotic—is a mockery so long as capital and labor brace themselves in organized attitudes of mutual hostility. Employers should fight for, not against, high wages, and employes should fight for, not against, that maximum of personal and mechanical efficiency which spells maximum of production.

"Reorganize!"

Strachey's conception of reorganization in British industry is a radical one, in spite of—or should one say because of?—his conservatism. First, there should be a sentimental reorganization—a change of heart. Secondly, there should be an intellectual reorganization—a change of point of view. Thirdly—and the last would follow inevitably from the first two—there should be the friendliest, most trustful, and most energetic coordination of brain, brawn, and machinery in resolving all Great Britain's difficulties and achieving her definitive recovery.

Basic in the pyramid of difficulties is the coal problem, not so much how to settle strikes as how to put the mining industry firmly on its feet, thereby forestalling further trouble in the coal fields, with their foundational relation to the whole structure of British, manufacture, trade, and finance. Concerning this fuel problem, Strachey is for the coal commission's report, the whole report, and nothing but the report. All his influence as a writer and as a man of affairs (he just has led a deputation on the subject to the minister of labor) goes to in-

duce the government to accept the report word for word and letter for letter.

With the world-wide aspects of this report, with its principles of universal interest, I will not deal here. I will say only that the commission found the British coal industry heading for almost complete disaster, with hundreds of thousands of miners thrown out of work, and with formidable effects upon the iron and steel trades, ship-building, and all superstructural industries. Measures of reorganization and diminution of labor cost contained the only hope of relief, in the commission's view, for it rejected absolutely the idea of a further subsidy.

"There is nothing in the way of intelligent reorganization in the coal or any other industry that we cannot do," declares Strachey. He will not hear, in other words, of the claim that there is in British psychology or material conditions something which makes industrially impossible that which is industrially possible in the United States or elsewhere. Raw materials? The empire is full of them. Wide oceans? Great Britain has plenty of ships, and good ones, and knows how to run them. Cruel taxation? Yes; but the right spirit and practice in industry will enable Britain to carry it, and to pay her indebtedness, domestic and foreign, to the last shilling!

Such is the mettle of Strachey, and there are millions of Englishmen like him. He is not afraid of mass production. He takes no stock in the theory that British individuality of taste never will tolerate standardized goods. He is not alarmed by the bogy of over-production. All in all, to one looking for a man susceptible to bogy terrors of any kind, my advice would be, "Don't trouble to visit John St. Loe Strachey."

Layton on British Psychology

BENEATH a shelter of deep foliage, at the far end of a garden sloping downward from a two-story brick house in Wimbledon Park, I found a fair-haired, blue-eyed, clean-shaven, keen-faced, medium-sized man in shirt-sleeves, working with a mass of papers. His youthful appearance—I guessed him to be about 45—seemed hard to right-angle with one of the most noted names in contemporaneous British economic thought.

Walter T. Layton, editor of *The Economist*, first in its class, and director of the economic and financial section of the League

of Nations, invited me to a seat on a rustic bench. For some hours, during tea and after, we discussed Great Britain's agricultural, manufacturing, commercial, and financial con-

ditions and problems.

It may be said at once that Mr. Layton, in his own phrase, is "not among those, if there be such, who have given way to pessimism." Yet he realizes that Great Britain's position, psychological as well as economic and financial, hardly could call for more widsom, ability, energy, sympathy, fortitude, than it does. Mr. Layton sees clearly that Great Britain, with her problems solved and her industrial peace secure, will be a very different country, mentally and materially, from what she is today.

First of all the nation's problems, as this expert views the situation, is its psychological problem. British citizens, masters and men alike, are in a wrong frame of mind. This frame of mind is one with their deepest emotions. There is mutual suspicion. There is mutual antipathy. Each of the opponents, so far as events yet have progressed, is far too much inclined to vindictiveness, far too little inclined to pass the

sponge over old grudges and start with a clean slate.

"We are poisoned and made relatively incapable by a feud." In words to this effect Mr. Layton describes the well-head of the trouble. Britain's captains of industry are capable. By inheritance and by acquisition their experience is diversified and enormous. Nobody knows world trade problems better than, probably no others know these problems so well as, do they. British labor forces are highly qualified and command almost illimitable reserves of strength and art for high-grade manufacture. But these mutually essential economic teams are doing what they can to stall the British load by refusing to pull together.

"Somehow, soon or late, we must correct this. There is no other salvation for our industry." Not all British industries are plagued by strife between capital and labor. Many are peaceful and prosperous, their prosperity menaced only by quarreling and stagnation in complemental industries. There are restrictive practices in the building unions, for example, while in such trades as those of iron and steel there are payments by results, no bickering and, with one exception, no

strike for fifty years.

Social reform is demanded and coming. Class stratification must be broken. Imprison a worker in a class and you make him class conscious and class militant. His natural feeling is that he will go up or down, not as he himself casts off restrictions and forges to higher levels of work and life, but as his class goes up or down. Thus do social preoccupations defeat individualism and, by defeating individualism, defeat social

and economic progress.

Mr. Layton is all for the American idea of striking the chains from the limbs of labor, for abolishing restrictions, for freeing men's minds, for administering universally the incomparable tonic of opportunity. Consider, he suggests, some of the splendidly able labor leaders in Great Britain, men of strong characters, stable, broad-minded, nationally loyal. Labor leaders here once, labor leaders always. What would have happened to them in America? Mr. Layton fancies them, in that world of social freedom, rising to great positions in politics, business, and the professions.

Deep-rooted British prejudices must go, says Mr. Layton. He warmly hails every hammer-blow at these prejudices, as in his foreword to that red-letter book on American industry, "The Secret of High Wages," by two young English engineers, Bertram Austin and Francis Lloyd (of which I shall have more to say in a subsequent chapter). These clear-headed, unbiased, forcible writers have dropped a big stone into over-placid waters, and wide are the concentric circles it has produced.

"In the bad old days when factory hours were long," says Mr. Layton, "there was in every Lancashire town an individual known as the 'knocker-up.' Early every monring, often hours before the dawn, the silence would be broken by his insistent tap on one window pane after another down the empty street. Within a few minutes of his passing would be heard first one step, then another, quickly swelling to a roar of clattering clogs, hurrying along the cobbled road to the neighboring mill."

Bertram Austin and Francis Lloyd, as the editor of *The Economist* pictures them, are the "knockers-up" of British industry, and he expresses the hope that they will "find the lady is only sleeping and will respond to their call." America, in respect of economic assets, is rich. "Truly the Dives of the modern world!" But Britain also has economic assets. Her empire produces 60 per cent. of the world's wool and rubber, 70 per cent. of its tea and gold, 89 per cent. of its nickel and 99 per cent. of its jute, to mention a few only of its products; while Great Britain alone, with but 3 per cent. of the world's population, owns over 30 per cent. of its ships and 40 per cent. of its cotton spindles.

Measure these resources, and then estimate what the nation's "psychological problem" is costing it—a lesson, surely, for all humanity! Even with the conditions of this problem doing their evil work, in varying degrees, ever since the war, Great Britain's productivity in 1925 rose to virtually the figure of the highest prewar year. But the "psychological problem" of 1926 was indefinitely aggravated, with the outlook obscure, while there are nearly 8 per cent. more people in the country to feed. This additional 8 per cent. of population just about

equals the abnormal unemployment.

Britain's debt to America Mr. Layton does not regard as doing more than add a non-decisive weight to the nation's burden. This debt represents less than 10 per cent., of the national interest charge. If it were removed, the effect would be distinctly appreciable, but not at all wholly remedial. That America, with her gigantic turnover, can absorb the British payments without serious economic or financial results to herself seems to Mr. Layton unquestionable. He deems the debt far more important politically than economically. And here arises a great and serious question for consideration in subsequent chapters.

Puzzling Diversities of Aspect

MARVELOUS are the contrasts thrust upon the view of a student of British life in its post-war reconstructive passions, exploits, and modes of existence. On the one hand, bitterness, wrath, quarreling, set faces, clenched fists, abeyant violence, the houses of parliament reduced, as Ronald McNeill, financial secretary to the treasury, assures one, to the level of

a "menagerie" or "cockatoo house."

This on the one hand. On the other, an extensive mood nobler than anything like it hitherto generally known in Great Britain since the industrial revolution overflowed Europe, especially the British Isles, a century ago. This mood finds voice in all classes and parties, not less among conservatives than among such liberal crusaders as Lloyd George, such socialists as MacDonald, or such left-wingers as George Lansbury.

"You do not want peace in the coalfields!" cries conservative indignation to certain of the miners' leaders. "You want war there. You want destruction there. You want confiscation

there. Microscopy at its keenest could not isolate a trace of honest political blood in your bodies. Your spiritual home is Moscow. You should be turned out with the Russian trade delegation!"

"Murderers!" comes the rebound from wrath in the miners' camp. "You are out to destroy trade unionism. You are out to reverse history, to violate humanity, to revive the tragedy of the 'forties. You would add an hour to the miners' laboring day and kill them in that last hour of fatigue. You would rebuild your privileges and luxuries upon the bodies of starving women and children. We warn you of the perils of that foundation!"

These are some of the ugly passions raging back and forth, and even the Prime Minister does not escape the tempest, though his full powers are active to allay it. But, as I have said, if there is bad passion in the situation, so is there good. Many conservatives, in addition to Mr. Baldwin, are preaching the gospel of scrupulous justice and generous consideration for labor. It is not, I feel, too much to say that all British minds which really matter are agreed that there is no future for civilization except in the well-grounded contentment of those who do the world's work.

Lloyd George's perception of this fact accounts for his reviving fame in the country. He declares that the workers in Great Britain's two basic industries, agriculture and coal, are so seriously underpaid that drastic measures alone can avert disaster. Farmers go on "silent strike," dropping their plows and entering the great industrial centers, while coal miners repeatedly rebel against the conditions of their life. Lloyd George demands an economic reorganization which shall give to the miners and the people as a whole, not only the bare necessities, but the reasonable luxuries, of civilized society.

Modern mankind, according to the Welsh statesman, has a considerable list of imperative needs. Satisfy these, and you have social balance and peace; deny them, and you have those mutterings and tremors and lapses from orderly political and productive usage which now are trying statesmanship and threatening the garnered moral and material treasures of civilization in many parts of the world. In this list of needs, says Lloyd George, are shelter, food, clothing, light, sunshine, unpoisoned air, leisure to revive exhausted vigor and enjoy life, opportunities for self-culture, and for children a sound education to equip them for all the chances of life.

"Revolutions," says J. R. Clynes, laborite, "are not nature's method." He deplores recurring industrial conflicts, with their ruinous wastage, and points employers and workers to arbitration. His economic ideal is that of a minimum wage for labor, a maximum profit for capital—the standard rewards—and an equitable distribution of anything additional accruing to the joint labors of brain and hand. What ideal could be more reasonable?

Other labor voices are giving utterance to the country's nobler mood—those of MacDonald, Thomas, Hartshorn the miner, Snowden, even the miners' hotspur, Cook, in his quieter and graver discussions of the related problems of conflict in the coalfields and the general industrial situation. "No cake for any until there shall be ample bread for all" expresses a principle common to these men, but they are convinced that scientific and energetic management would provide ample bread for all, without depriving capital of the whole of its

cake, even with labor, too, getting a little cake.

Contrasts: consider what the British nation has been through, its sacrifices of life and wealth, its industrial tumults. follies and losses, its chrysalid struggle to burst the shell of feudalistic economic tradition. And then, against this dark background, made immeasurably worse by political unrest. economic prostration, and financial chaos over vast areas of the trading world—Russia in revolution. Japan stricken by earthquakes. China torn asunder, trouble in Egypt and India. the Latin currencies obstinately slumping, all Europe comparatively poor, tariffs rising on both sides of the Atlantic against this dark background place the British exploits of the national budget balanced six years ago, the debt to America funded and put in course of payment (without immediate compensating advantage to Britain in respect of debts due her) sterling raised to par with gold, production forced up to the pre-war level, and the grievously-taxed people contriving somehow to live and to invest, in a single financial year, over £35,000,000 (\$175,000,000) in war savings certificates!

Given the conditions under which this popular savings plan has grown up (and it has stimulated instead of depressing other thrift agencies) the story of it must be almost unique in financial history. Starting as a war measure, it has persisted astoundingly. More than 770,000,000 certificates have been sold in twelve years, totaling £602,000,000 (\$3,010,000,000) a sum nearly equal to the British national debt before the war. These certificates, virtually payable on demand, have resisted adverse

circumstances to the extent that standing today (1926) to the credit of investors is an amount exceeding £475,000,000 (\$2,375,000,000) with new certificates selling at the rate of £2,750,000 (\$13,750,000) per year.

Contrasting passions, contrasting economic facts and achievements, contrasting modes of existence, complete an *ensemble* well fitted to wrench the faculty that would see it steadily and see it whole. Look one way—fashion and indulgence. Look another—conditions of labor improving, prettier and happier girls in the factories, smiling thousands on holiday. Look another—more than 1,500,000 men idle. Look yet another—the old, old horrors of the sunless, swarming, accusing, perennial slums!

Garvin-Glowing Genius of Journalism

WHY, in approaching a study of a national situation full of international meaning—a situation such as that of the present in Great Britain—does one think primarily of spiritual, moral, emotional, and intellectual factors? Why, in other words, does one think first of men rather than of things? Obviously, because things are, or ought to be, wax in the hands of men. If we know our men, we should not be wholly without light as to their prospective handiwork.

Facts and figures are interesting and important only as indices of what is going on in, of what is being achieved by, of what is threatened or promised affecting, human life. Facts and figures do not make men; men make facts and figures. Great Britain's destiny, with all it signifies to other peoples, will not appear to us in any facts or figures we may tabulate. We shall find the key to this destiny, if we find it at all, only in the spirit and the ideas of British womanhood and manhood.

hood.

Sitting in a quiet study, embosomed by shrubbery, J. L. Garvin, one of the greatest editors and writers of the world, works hard through winter and summer days, and few villagers ever are awake to see his light go out at night. His home is the old home of Burke in Buckinghamshire, in the village of Beaconsfield, and his library is in Burke's remodeled coachhouse, the ancient oaken beams retained and showing. It is the last remnant of Burke's farm and residence, and therefore of particular interest to Americans.

Let us give some notice to Garvin's work, emotions, visions, convictions, and purposes. His gifted son, a boy of 20, was killed in the war. "Every word I have written since the boy's death," said Garvin to me, "I have written for him. He was musical, large-hearted, and sagacious. His alert consideration for others continually surprised and delighted me. He taught me much judicially—moderated my partizanship. His character and point of view, I think, were of the sort so much needed in nations and among nations. Harmony is a product of sympathy. If we would know our own convictions, we must find them out through attention to other men's convictions. We cannot know what we really think until we pass our thought over the touchstone of other thought."

These words disclose what seems to me a standpoint much more widely held in Great Britain now than formerly. Serious exponents of opposing theories are mitigating their unilateralism in the interests of constructive unity. Garvin has become one of the most powerful instigators of this tendency. He says to antagonistic elements in the nation, as he says to citizens of different nations, "Do not use a white board upon which to make black marks; use a black board upon which to make white marks." That is to say, throw up the good points, not the bad, of other parties and peoples.

Garvin's chief literary prepossession, in the midst of editorial and public duties connected with the national crisis, is that of his biography of Joseph Chamberlain. John Morley had five years in which to write a biography of Gladstone. "I," exclaimed Garvin, laughingly, "have not had, as yet, five entirely free hours for my biographical work. For six months it has been cast quite aside. I am struggling just now to get into it

again."

And the big, clean-shaven man, happy and healthy looking for all his sorrow and labor, covers with a gesture a mass of documents in orderly arrangement on a table some ten feet in length. Out of Chamberlain's imperial ardor and force, one may guess, Garvin draws profound encouragement. He is optimistic. He is firm-willed. He knows a menacing condition when he sees it, he can measure a national or international peril as promptly and accurately as can any man, but it never occurs to him that Great Britain faces at this time, or ever will face, problems too great for her ultimate reserves of intelligence and strength. His pride in his country, his patriotism, are superb. It is moving to hear him say of England, "I love her like a child."

Violent revolution in Great Britain?

Garvin's dramatic face takes on a deep smile. Trade unionism in this country, at its strongest never more than a minority, is much weaker than it was; its voting strength is one-third of the electorate. Real extremism is negligibly fractional. Conservatism and liberalism together—forces equally opposed to social madness—are a solid two-thirds of the nation. Add to these moderate labor, a mighty element, and Leninism becomes, so far as Britain is concerned, a chateau en Espagne!

There is no basis for bolshevism in England. Why? The explanation is both political and economic. Insular Britons cannot assimilate "the falsehood of extremes," and their very life depends upon foreign supplies. What basis is there in Russian communism for obtaining foreign supplies? Even Russia, as it advances, marches backward—reverses its course toward a restoration of capitalism. Communism in Great Britain, temporarily established either by armed force or by a general strike, would arrest the inflow of food. Starvation would ensue and a terrible vengeance. "'When all men starve,' quotes Garvin, 'the wild mob's million feet will kick you from your place.'"

Marxism, "deduced from studies in the British museum," Garvin calls "the Prussiansim of economics and the mere goose-step of the mind." It is the fairy-tale corpse on the back of British labor; only by riddance of it can British labor thrive. Great Britain is a singular island, incurably dualistic, "never satisfied until it discovers some irregular organic method of its own, hateful to the mere letter-perfect logicians, whom Shakespeare and Burke alike despised." Marx was a "solemn dog" and never can prevail "in the land of Dickens." Not empty theories, but high wages and profit-sharing, are "the real spirit

of the morning."

There is, in Garvin's judgment, "a bottom truth about the position and future of Britain after the war." What is it? Neither "spurious complacency" nor "ludicrous despair" tells the story. If the picture of Britannia shows "warts," Britons would not give a shilling for the picture "without the warts." George Harvey sees Great Britain as "a handsome corpse over which honest tears should be shed." Garvin begs him spare his tears. This country is not, and does not intend to be, insolvent.

"Our unparalleled debt is \$40,000,000,000, our wealth declining, our taxation prodigious, our production costs high, our competitive position difficult, our basic industries in distress, our shipyards closing, our agriculture decaying. "So Harvey,"—and here the true Garvin, with his representative significance, emerges—"forgetting all our abstractions and all our concretions, all our history and all our assets. We shall remain a great producing and trading country for many a generation to come. Europe will forge an economic Locarno. There will be a United States of Europe to link up equally with the United States of America. It is the genius of civilized man to find a new salvation when he must."

Touching the war debts, Garvin says—as I think, truly—"America, in her own good time, will wipe them from the

slate."

Murray Butler's Broad View

"YES; there is a crisis in Great Britain. There is a crisis in all Europe. There is a crisis in the whole world. We are only at the beginning of the liquidation of the unparalleled problems left by an unparalleled war. America's interest in this supreme test of the reconstructive capacities of mankind is just as great as it would be if not a mile of ocean rolled between her and the late theater of bloodshed."

Dr. Nicholas Murray Butler, erect, earnest, characteristically vigorous and direct, sat in his room at a London hotel and reviewed his recent discussions with French, German, and British statesmen, with diplomats and experts of many nationalities, with captains of industry and leaders in finance, with conservatives, liberals, socialists, and laborites, and with ordinary working miners in the coalfields of Great Britain.

"One transcendently encouraging fact marks the general position," continued Dr. Butler. "Machiavellianism has disappeared from the greater statesmanship of the world. War dreaming has vanished from the chancelleries. Masters of statecraft, like the rank and file of nations, have learned that war not only costs commoners' blood, but crumbles thrones and cracks the foundations of civilized order. Never before has statesmanship been bent so objectively upon economic reconstruction."

Dr. Butler found the leaders of French political life battling honestly, if as yet unsuccessfully, with a mass of problems, dominated by the difficult and dangerous fiscal question. "Face squarely your foreign obligations," he told the French. "Settle them. Payment is another matter, but settle them,

get them out of the way, and Britain and America will help you to stabilize the franc." Dr. Butler is for large concessions from America to remove the "debt danger" from world politics. He considers it fraught with economic handicaps and misfortunes, as well as with sentimental conditions destined to grow steadily worse through the years.

"And America, in the long run, will suffer worst of all," he

declares.

Why?

Because America is developing into the greatest of all manufacturing and trading nations, and therefore has a paramount stake in those sentimental and economic conditions which promote world commerce. Almost any conceivable generosity on America's part would be high economy if it opened the heart of humanity to America and her enterprise, and swept away the deepest bitterness that ever has existed

against our country.

"Whether this bitterness be justified or not," to quote Dr. Butler verbally, "is beside the point. Whether nations be capable of gratitude or not is also beside the point. The point is that the course of history since the war—what Wilson did, what we did about the League of Nations, what we have done about the War Debts—has got us in thoroughly wrong, not only in Europe, but throughout the world, and threatens to get us in worse yet. If we are a wise nation, we shall find a way to change this sentiment; if we are foolish, we shall let the situation drift."

Republicanism in Germany, in Dr. Butler's view, is building upon enduring foundations. Germany has not a pleasant memory of her late monarchists. She did not like the way the highest of them "funked it" in the final issue. They will not get back. Germany has great problems, especially connected with federation, but there is bright promise of the will and the ability to solve them, and there is also the assurance of republican Germany's determination to work whole-heartedly with her European neighbors, notably France and England, to restore the prosperity of Europe and strengthen the safeguards of international peace. Dr. Butler's talks with Chancellor Marx found that statesman standing precisely where he stood when he gave his long, authorized interview to The Chicago Daily News more than two years ago.

And the British crisis?

"It is centrally related to the world crisis," said Dr. Butler, and consequently deserves universal sympathy and interest

from civilized nations. Mankind, Latin, Teuton, Asiatic, would suffer correspondingly from any ill issue of Britain's troubles. Only fools any longer ignore the indivisible texture of civilization. In any way we can aid England we should aid her. Her rankling against us does not matter. Let it pass. Her interests are ours—political, social, economic. It will require the two hands of both of us to hold high and steady the torch of democracy."

Too many miners—half a million too many—and uneconomic pits explain the substance of the plight in the British coalfields, according to Dr. Butler. Five hundred thousand men men between 18 and 30, for the older miners will not face other kinds of work—must be shifted gradually from the mines to other industries, of which many new types now are arising, and the uneconomic pits must be abandoned, leaving their owners to cut their losses, as other failures must cut them.

"Do this," says Dr. Butler, "not omitting any advantage of skill, energy, and machinery, and economic health will return to British mining."

In the interests of all the mutual benefits inherent in good relations between Britain and the United States. Dr. Butler points out as the "supreme desideratum" a serious, honest, and intelligent press. Despite all that has been done to dissipate mutuality of ignorance between the two countries. Dr. Butler finds this ignorance still "incredible, if not appalling." He also finds much indifference among even Englishmen of prominence and influence as to what America has done and is doing. To such persons he is saying, "We have much to learn, we are backward in many ways, but we are worth knowing. and it will do you good to know us, as it does us good to know

Journalistic ideals, as entertained by the president of Columbia, are high ideals. For the most part—there are striking exceptions—he sees the British press, whether the fault may lie with editors or with correspondents, poorly served as regards information from the United States. Too much space is given to trifling, and sometimes misleading, news. Occasionally there are dashes of malice. Dr. Butler would have the British correspondents in America minimize crime, scandal, and folly, and keep British readers abreast of those moral, intellectual, and material advances which make America what she is—one of the sheet-anchors of human

progress in all its forms.

Britons Intent Upon Economics

BRITONS, as never before in any general sense, are studying the rudiments of economics, more or less wide-awake to the fact that only in a better knowledge of this science, and in a closer obedience to its rigid laws, can they find industrial

Ignorance of economics exists in all countries and among all classes—even, as great economists frankly tell one, among the professional economic brethren themselves. Economists professing competence in the whole field of their subject are extinct. Economic specialism matches in variety the specialism of

medicine, surgery, engineering, or law.

So Britons, unashamed, are studying the elementary principles of production, distribution, and consumption—the laws of the larder. Housewives and their husbands are talking about labor, management, and capital; about wages, salaries, and dividends; about low costs as against high costs of manufacture; about the real meaning of labor-saving or labor-aiding machinery; about the "cost of living index figure," appreciating at last that these rather spectral and vanishing things have a way of taking on bodily substance in the form of clothing, boots, bread, and bacon.

One of the outstanding enthusiasts for carrying some acquaintance with economics into every home is a business man, an organizer, a costing expert, and a general student of manufacture and trade by the name of Howard Hazell. Education in economics Mr. Hazell regards as lying at the base of any stable system of free government. Dictatorships, in his judgment, thrive where the people, because of economic ignorance, are helpless to manage the intricate relationships of capital and labor.

"If Great Britain is moving out of a period of national danger," said Mr. Hazell, "it is because a larger percentage of her statesmen, politicians, business men, and people in general are beginning to grasp at least the first elements of economics. Our nation hitherto economically has muddled through. We have done big things in business and finance. But, scrutinizing our methods in detail, we discover that they have been deplorably lacking in science and understanding."

Mr. Hazell attributes the country's unrest largely to the mental changes caused by the war. Millions of Britons traveled abroad, saw new scenes, talked with men from other lands. learned that the world is diversified, interesting, ambitious.

These experiences stirred deep emotions in insular breasts. What satisfied before satisfied no longer. High war wages brought tastes and habits and little luxuries into homes where they previously had been unknown. Post-war wages, with the world economically stricken, could not be so high, and few British working-class people knew enough to know this. They thought capital, out of greed, sought to depress their new living standards.

"This conviction," said Mr. Hazell, "has bred dangerous passions. Workingmen, ignorant of the facts of the industrial and trading situation, become resentful against an imaginary enemy called 'capital.' For many years they have heard capital denounced. It has been represented to them as incompatible with their welfare. Half believing all this in the past, present conditions of unemployment and falling wages tend to make many believe it fully. Only some knowledge of economics can remove the peril lurking in this misconception."

"Teach your people economics while there is yet time!"

This is Mr. Hazell's call to all nations. Employers can do much; they cannot do everything. Trade union leaders must be enlisted in the work of enlightenment. Economics should be taught in secondary and even in primary schools. No boy should be allowed to go out into life wholly unfamiliar with the meaning to himself, in whatever he may do, of such terms as "labor," "management," and "capital" in their connection of interdependence.

In his popular economic curriculum for seeing Great Britain out of her business troubles, and for keeping her out of similar troubles in the great competitive era confronting the world, Mr. Hazell lays down the primary thesis that industry must furnish adequate wages, salaries, and profits. Labor must be reasonably rewarded, likewise managerial ability, likewise capital. Severally, all these must understand one another, must be constantly and freely intercommunicative, and must drive forward as one frictionless engine of production and distribution.

Labor dissatisfied, the best men will go to other industries or leave the country. Managerial ability dissatisfied, able and zealous managers will be wanting. Capital dissatisfied, there will be no money for either labor or management. In what does capital consist? In buildings, in machinery, in railroads, in the costermonger's barrow, in the carpenter's tools, in the farmer's implements, in the shopkeeper's stock of goods, in the wages paid to the worker before his products are sold, and in a thousand other indispensable forms.

Whence arises capital? This vital fluid of industry springs from productive labor plus savings. Capital is impossible without savings. If we all were spendthrifts, production would fail, and the world would starve; millions of bales of theory would not clothe it, millions of carloads of dialectics would not feed it, for one minute. Labor must save and invest in industry. So must management. So must that other member of the tripartite of production, capital: not all profits can be expended; part of them must be reserved and used for the expansion of industry, a thing made necessary by the steady growth of the number of bodies to be clothed and sheltered and the number of mouths to be fed.

Dividends on capital must be higher than on government securities, for government securities are guaranteed by the state, while capital always must run risks and often meets with disaster. Even industries that are monopolies or quasimonopolies and supply necessities are liable to losses or failure, with no individual or community bound to afford relief. Horse omnibuses and cabs were ruined by motor vehicles, gas suffered from the competition of electricity, telegraphs from that of telephones. Labor should understand that all private business is speculative and that capital can continue to function productively only by virtue of relatively high rewards.

"High wages and high production go together. High wages spell efficiency and happiness, both essential to social tranquillity and the highest interests of civilization. Mankind has no problems," concludes Mr. Hazell, "that science, hard work, and brotherly feeling cannot convert third leavy cares

into tasks comparatively as light as thistledown."

Lord Bradbury an Optimist

"WHATEVER may happen with regard to war debts, ws think we shall be able to pull through. If we be wrong in this belief—if time and circumstances should prove too much for us—we then can make a frank confession of the fact, and initiate discussions looking to the necessary relief."

This, in compendium, is Lord Bradbury's view of the British situation, present and prospective. Lord Bradbury is one of the remarkable men of Great Britain, mature in years—he is 54—skilled in economics and finance, and of ripe culture. He has a fine head and face, is dramatic in temperament, calls

sentimentalism "flapdoodle," and is a great lover of wholesome fun.

Lord Bradbury worked with Dawes and Young in unraveling the German reparation tangle and has been an exceptionally close student of European and world finance for many years. He was joint permanent secretary to the British treasury during the war, and his name became a household word in the United Kingdom, and in many parts of Europe, as a result of its appearance on Britain's treasury note circulation.

On the outbreak of hostilities in 1914, gold sovereigns vanished as if by magic, and shortly in their place were passing as legal tender one-pound notes signed "Bradbury." These notes became known universally as "Bradburys," so that the name was in the mouths of tens of millions of persons who never saw and never will see the tall, dark, sharp-visaged, keen,

vivacious, humorous man.

Candor comes naturally to this distinguished Englishman. When Dawes and Young write their memoirs of the reparation struggle—assuming that such a time ever shall arrive—they will have more than one good story to tell of Bradbury's habitual outspokenness, as well as of his acumen, seasoned judgment, almost boyish sprightliness, and unfailing drollery. Ask the best-informed men in London whose mind is at the top of the British financial world, and you usually will get the

instant reply, "Bradbury's."

Gloom respecting Great Britain's condition and outlook has not fallen over the spirit of this economist and financier. "Our position is not an easy one. It is a difficult one. No man can speak with certain knowledge of the outcome. But, like our tommies in the war, we are not down-hearted. We are grappling with our problems and determined to solve them, if humanly possible, by means of our own wit and resource. Britishers of the right sort, and I fancy the vast majority of us are of the right sort, have no sympathy with our squealers, and still less with our squealers who add bad manners to their other lapses from dignity."

Lord Bradbury is not among those who condemn Premier Baldwin's settlement of the British debt to the United States. "It might or might not have been practicable for us to get rather better terms," says he. "But some kind of settlement was imperative. Moreover, any considerable delay in the matter would have been injudicious. Sinister agitation might have supervened, with results, political and financial, not calculable, but undoubtedly fraught with unpleasant possibilities."

To strike a balance sheet of the Baldwin settlement, from the British point of view, would involve computations of prodigious complexity, if the task were performable at all. I have found no expert who will attempt it, though I have found many who admit that, whatever may have been the disadvantages to Britain of the settlement, its advantages were immense, and conceivably might be said to have meant the difference between financial victory and financial defeat for this country. Anyhow, the fact is patent to all the world that Britain, having settled with the United States, has a currency at par with gold, whereas France, lacking such settlement, long had a currency floundering in quicksands.

Lloyd George says the settlement was "the mistake." But Lloyd George is a politician out of office and not without appetite for further official power. That is to say, the wonderful Welshman is in opposition, and what is the good of an opposition unless it opposes? If Lloyd George or Ramsay MacDonald or any other man with his head on right had been premier when the American debt was pressing, who easily can believe he would have presented to the Washington government a plain non possumus, or even would have tried to stand out for terms very

different from those accepted by Baldwin?

Lord Bradbury frankly concedes that the funding of the debt to America benefited Great Britain in many directions. It removed once for all the menace of depreciation of sterling. It re-affirmed and re-fortified British credit in every country of the world, and a flawless foundation of credit has to Britain, with her globe-girdling business and financial connections, an importance such as it has to probably no other nation in the whole congeries of producing and trading powers. France learned, as Germany learned in the terrible months of the slump of the mark, that there can befall a people few calamities so widely incident as is that of the evaporation of the value of its money.

With the rise of the purchasing power of the pound, if British industry was forced internally to pay the price of an augmented monetary value—a quantity of decidedly indefinite dimension—it was favored with a comparatively low interest rate and with a command over external raw materials needed for the manufactures of Great Britain exactly of the same value as was indicated by the appreciation of the sovereign. Wickham Steed, formerly editor of *The Times*, estimates that this gain equals the amount Britain must pay annually under the Baldwin settlement with the United States.

American tourists and business travelers are supposed to bring to Europe each year about the equivalent of £350,000,000 (\$1,750,000,000). What proportion of this money (about 25 per cent) is spent in Great Britain is not known exactly, but this is true: it now costs American and other visitors to this country a great deal more for their needs in sterling than it cost them while sterling was low. At one time \$3.20 would buy a pound. Today a pound costs \$4.87½, with its value in hotel bills or goods not enhanced sufficiently to be appreciable. If one can buy a suit of clothes, for example, for less than it cost when the sovereign was down, the reduced cost is reflected in the relative inferiority of the cloth.

Viewing the situation as a whole, Lord Bradbury, for one, is not dissatisfied, nor is he despondent. He thinks the British coal industry somehow will be put on an economic basis, leading to a general industrial recovery. He thinks the Dawes Plan has worked well so far. If it finally should demonstrate its impracticability, and if, in the natural course of economic progress, all war debts should appear better canceled, nobody would be

more pleased than would Lord Bradbury.

Macassey on Britain's Burdens

"YOU are quite right."
Sir Lynden Macassey, K.B.E., K.C., a deep student of questions of capital and labor in Great Britain, was replying to the remark that for two years I had regarded the British industrial situation as-latently, at all events-"perilous."

"You are quite right. The situation is much more perilous

than most people imagine."

Capable persons acquainted with Sir Lynden consider him one of the most conscientious, diligent, and enlightened men in England. I saw him at his house in Sloane Gardens, London, a place of fine trees, grass-plots, and flowers, strangely quiet to

be virtually in the heart of the metropolitan area.

Sir Lynden does not look robust. He is tall and slender, face long and sensitive, eyes blue-gray, short hair almost white. manner alert and earnest. He is a Scotsman. Metaphysics, I should say, is his intellectual preference, though his life is given to social problems in their most practical form, and to the tasks that face one distinguished in the law.

Like so many other men of so many different nations, Sir Lynden went far toward spending himself in the World War. He is not the man he was, physically or nervously, but there is nothing the matter with his mind. It is just possible his mind is clearer than ever it was; these peculiar physical and mental correlations are not unknown. Sir Lynden today is reflecting upon his experiences in more than 3,000 conferences for the adjustment of disputes between employers and employes.

"And what do you think of the two?" I asked him.

His brow knit.

"I wish their relations were happier."

"Are they becoming happier?"

"I can't see it—not yet—not in any profound or general sense. Look at the situation in the coalfields."

"This discordance between employers and employes is your chief source of trouble?"

"Not a doubt of it. If we could get our mental conditions right, our material conditions would begin immediately to change for the better. There is a big job to be done. It is a job as big really as was that thrust upon us by the war. Our burdens threaten to crush us. History has been hard upon us. We paid and paid and paid, and must go on paying, and nobody pays us. Now, we can stand this thing—we can support our load of taxation—only by unity, and what we have is division."

"Would the cancellation of war debts help appreciably?"

"I think the cancellation of war debts would help enormously. I think it would help everybody—those who canceled in proportion to those favored with cancellation. Markets are wanted, not for earning interest on extraordinary debts, and for discharging the principal of these debts, but for keeping the world's factories in full operation."

Sir Lynden, as I understand him, would not advocate precipitate and summary cancellation of war debts. He holds that the creditor nations, Britain and the United States, should use their power to make cancellation, if and when it may seem opportune, serve the cause of reduced armament and world tranquillity. That attempting to influence sovereign nations by financial or any other kind of pressure is a delicate business all students of international affairs recognize. But sensible men also recognize that Britain and America have the right, and also the duty, to let it be known unmistakably to debtor nations upon what terms cancellation may be hoped for, and upon what terms it may not be hoped for.

"Labor in this country," said Sir Lynden, "feeds upon economic fallacy. Its mind is full of dreams. It has small notion of the magic in efficient production. It grasps at the phantom of benefit from restriction and from fighting science and machinery as aids to industry. It thinks there are pots of money where there is none. We have industries we could impoverish utterly and yet be unable to meet the demands of labor for more wages, shorter hours, and better conditions of employment.

"Sympathetic feeling for the rights of labor employers must cultivate, but labor must quit looking to employers for everything on earth. It must know that employers, like everyone else, have their difficulties and limitations. Labor should examine the problems of industry as a whole. It should study competitive methods and prices, and learn that these methods and prices must be matched, if British industry is to survive.

"Economic fallacy among us often takes plausible rhetorical form. British labor intellectuals, ignorant of American conditions, assure our workingmen that 'scientific management is merely cunningly devised slavery in which the shackles of serfdom are adjusted so precisely that the workman is a mere cog, helplessly and inhumanly enmeshed in a grinding economic mechanism.' Nonsense, of course, but colorable nonsense. We constantly are striving to wear it down with concrete illustrations from American experience, and with citations from enlightened American trade union doctrine. Some employers, under-managers, and foremen, on the other hand, cling to the correspondingly absurd idea that, however high the output may be, workers are never worth high wages."

Payment by results is another principle difficult of application in England. Sir Lynden states that "nothing else in industry is surrounded by so much confusion and ignorance on the part of both employers and employes." Sir Lynden declares he knows of cases in which the substitution of piecework for time-work—always reluctantly accepted—increased output up to 110 per cent., and cheapened production proportionately. Yet in many trades—for example, cotton, carpentering, and numerous branches of engineering—piece-work is deemed a "pestilential system," tending to unemployment and

degradation of the worker.

What is the hope?

It lies, according to this experienced mediator, only in the education of all the parties to industry—labor, management,

capital, and the public.

"If industry has been unmindful of the public," says Sir Lynden, "so has the public been disinterested and unintelligent concerning industry. Strikes and lockouts succeed or fail, in the long run, in the measure that they are approved or disapproved by the public. Shareholders should be keen on industrial questions and regulate their investments with reference to how employers and employes behave. Industry is a national affair, and every consumer has his responsibility relative to it."

Withers on Debt Cancellation

"LET us not be in too great a hurry to cancel debts," said Hartley Withers, one of Great Britain's best-known economic writers, author of many books on industry and finance, and formerly editor of *The Economist*. Mr. Withers, aged 59, is a strong-featured, gray, quiet man, with a pleasant blend of shrewdness and humanity in his keenly-observant eyes.

He does not take economists too seriously; he knows them too well. Mr. Withers does not take anybody or anything too seriously, though he is by no means excessively given to frivolity. On the day I had the pleasure of lunching with him at a hotel in East London, he had come in from his Essex home to buy a set of false whiskers to help him play the part of Barnum at a village circus.

Economists, according to Mr. Withers, are never consistent in anything but disagreement. They cannot get together on even a definition of capital. Turgot, who had an early shot at defining capital, said it meant "valeurs accumulees"—goods of any kind exchangeable for other goods. Your schoolboy's marbles were capital; he could swap them for white mice. His cherries, which he had eaten, had lost their character as capital in the process of digestion and assimilation.

Not that Turgot condemned the eating of cherries. Doubtless they did the boy good. But cherries consumed could not be called capital. John Stuart Mill, Mr. Withers will tell you, narrowed the definition into the sense of wealth set aside to increase production. Wealth were the equipment and tools of industry in the widest sense of the word—"industry" including

agriculture and transport.

Later economists have shown a tendency to revert to the wider application of the word wealth, one of these (Dr. Anderson of America) holding that a "dollar is capital." Mr. Withers prefers the narrow conception of Mill that capital means the equipment and tools of industry, because it is only by their possession that the wealth of mankind not only increases man's

present enjoyment, but enhances his future output of the goods necessary for his existence. "Yes," says Mr. Withers, "the war destroyed capital. It destroyed factories and ships, which embody capital. It de-fertilized productive land, which is capital essentially. But the war, apart from this devastation by land and sea, left effective capital pretty well untouched

throughout the earth."

Mr. Withers is a great believer in the capacity of man to rebuild his stricken fortunes. "He lives by this," says the Essex thinker, smiling. "Telescopes are not natural eyesight. Financial telescopes mistake money for capital. Money, as such, is not capital in any productive sense. Money can be wasted. Money was wasted in the war. Boys can eat too many cherries. If hundreds of millions from 1914 to 1918 went into munitions that vanished in smoke and scattered steel, so would masses of potential wealth have ended in unproductive extravagance had there been no war."

Romance in wealth production? There is romance in everything. Poetry and prose march arm-in-arm on the same road. crossing the same bridges, skirting the same fields and forests. thrilled by the same streams and flowers. Wealth production. in the sense of capital production, is poetry if you think of the human loyalty and worth involved; if you think of it economically, scientifically—if you think of it as the cold-blooded economist thinks of it—it is simple, it is obvious, it is dull.

To produce capital you must *labor* and you must *save*.

"Let us not be too sentimental about the War Debts." repeats Mr. Withers. "We might cancel them all to the last mark, lira, franc, shilling, or dollar, and not accomplish or learn a vast deal. There is a great habit we need to learn. It does not fascinate, it does not dazzle, it does not soothe, as do some of our habits. I am referring to the habit of saving a part of what we earn. This is the one great productive habit of mankind. It is the only habit that creates capital. It is the only habit that makes modern industry possible. So far as we have lost soundness of limb, health, energy, ambition, by the war, we are losers, indeed, but cancellation of debts will not give us back these. Banking transactions are not physical or biological restoratives."

What, then, does Mr. Withers think about the War Debts?

He thinks, if necessary, they can be paid. He thinks Great Britain, in particular, can pay her debt to the United States: it all is a matter of working and saving and expanding industry and finding markets for the products of such industry. He realizes, of course, that the more of the world's markets Great

Britain occupies the less there will be for others, but he anticipates as I understand him, markets enough for all, even with the debts uncanceled. His vision is that of an ultimate world consumption immensely larger than anything hitherto known.

Goods for goods, in the long run, represents the only practicable method of payment from person to person or nation to nation, in Mr. Withers' view. But he thinks Great Britain can produce the goods and transfer them to the United States, tariff or no tariff. It may be a difficult process. It undoubtedly will take time. But it can be done. And Great Britain will not collapse under the load. In the end, as Mr. Withers scans the future, British citizens will reap both a moral and a material reward from converting their character, intelligence, and labor into high production.

"If we cannot survive with the American debt uncanceled," said he, "it is certain we cannot survive by virtue of that debt's cancellation. It is not going either to make us or to break us. It is not inconsiderable. It would be a heavy last straw, if a last straw, on the camel's back. But the camel's back, unless I magnify its strength, is equal to a good many straws yet. For the present, we must think of other parts of the load. We must think of how to adapt our psychology and

our industrial organization to our heavier burdens."

Political boundaries are dim things in Mr. Withers' economic philosophy. If interest on a war debt goes from Great Britain to America, for instance, will Great Britain lose proportionately? Mr. Withers thinks not. Americans worked, saved, and invested, thus warranting the assumption that they will work, save, and invest again. Whoever works, saves, and invests augments production, and whoever augments production adds to the prosperity of all peoples. Prosperity is not, and cannot be, confined within political frontiers. It spills over.

It spreads. It irrigates the world.

When the cancellation of war debts comes—if it comes, and Mr. Withers does not doubt it may come—he is of opinion that it should be made, not to jeopardize, but to fortify, international peace and the consequent promise of comparative human happiness in the future. These are unsettled times. They are times of extreme international confusion and antagonism. Peoples draw deep resentments from their morbid ignorance. Recurring reminders of their debts, of the awkward obligations incurred by war, occasionally may sprinkle cool patience upon feverish brows. Debt cancellation properly will mark the completed convalescence of "shell-shocked mankind."

The Gifted Sir Josiah Stamp

SIR JOSIAH STAMP, G.B.E., D.Sc., reckoned first among contemporary British economists, views Great Britain's industrial problem as one of re-adaptation to world markets. International competitive relationships, because partly of the war and partly of industrial progress in various nations, have undergone a great change. Long-established demands for British goods have dwindled or stopped. British industry can survive only by adjusting itself to the new situation.

Sir Josiah is a fascinating, if an almost baffling, thinker. He has an astonishing way of dealing airily with the most extreme difficulties of fact and of logic. He speaks and writes fluently, gracefully, picturesquely. Neither the duties of managing the greatest railroad in Great Britain nor the intricacies and obscurities of industry, trade, finance, and statistics seem to diminish

in the slightest his resilience of spirit.

Everyone acquainted with the versatility of Sir Josiah's work continually wonders how he does it. His public services of recent years, in connection not only with the Dawes Committee, but with purely British problems, have been of the weightiest character, while of his private labors there appears to be no end. Regularly directing the huge organization of the London, Scottish, and Midland railway, he yet finds time to lecture, to write articles and books, to compile statistics, to wrestle with the economic implications of emotions and of ethics!

This delightfully simple and strangely gifted man was a fellow-passenger of mine recently on a rough Atlantic voyage. Most people on the ship, as ordinarily when high seas are running, were mentally and bodily passive. Sir Josiah himself had come aboard with the avowed intention of "taking things easy." He did so by finishing his book, "The Christian Ethic as an Economic Factor," and writing a paper on "Inheritance as an Economic Factor," to be read in his capacity as chairman of the economic section of the British Association. And, despite these tasks, Sir Josiah always responded generously when called upon to discuss the problems vexing his country.

Cocksureness is conspicuously absent from the speech and the writing of this expert. He is an enthusiast for his science—he is none too patient with those who decry economics as a forlorn scientific hope—but he knows how vainly it strive for exactitude. It deals with human beings, and human beings are variable, emotional, not to be calculated with certainty. "To

form a judgment in economics," says Sir Josiah, "requires one of the hardest disciplines the mind can attempt." It is like trying to tell what a lady will do in a particular case by reasoning from what she or some other lady did in a similar case!

"But," the expert goes on, "if we acknowledge the fallibility of the economist, with his puzzling mixture of religious, moral, political, social, national, racial, and legalistic influences, we must not jump to the conclusion that the 'practical man' is a sure savior. Often this man is the most unguarded and dangerous of theorists because of his habit of generalizing dogmatically from isolated and inadequate data. Experience teaches much, but no experience can teach everything. Deduction is indispensable to the science of economics."

Sir Josiah is a fine example of the student who combines induction with deduction—experience with abstract thought. This method has led him into painstaking investigations of fact, and into equally painstaking deductive philosophy related to what his investigations taught him. When, therefore, he talks of British business conditions, we hear the views of one whose exploratory processes have been as comprehensive as they well could be.

Bodily transplantation of American industrial methods in Great Britain Sir Josiah regards as impracticable. It would be analogous to equalizing, as between the two countries, geographic, climatic, and psychologic factors. After all, America is America and Great Britain is Great Britain. America's special position demanded large-scale mass production. Great Britain's special position was different; this position demanded consideration of individual tastes at home, and of particular requirements abroad. Large-scale mass production is out of the question in Great Britain, for the simple reason that this country's markets will not absorb it. Only small-scale mass production is practicable for British manufacturers.

Fundamentally, Britain's industrial plight is the result of the drying up of certain great historical streams of purchasing power. These streams called for British coal, iron, and steel, ship-building and textiles. It is in these trades, and in these only, that British industry is depressed. Some of the mines are newly and splendidly equipped—have nothing to learn from any country. Others are poorly equipped and uneconomic. Reorganization is the need in the British coal industry, while the others await re-adaptation and a full return of the world's prosperity.

Undue pressure upon British productive resources at this time Sir Josiah deprecates. What is the use? Production, of course, is the only source of wealth. But artificially stimulated production without markets to absorb such production would make a bad situation worse. Mankind is confronted with a new economic evolution. Its gradual development must be watched and its opportunities seized as they unfold. Revolutionary methods are as much out of place in economics as they are in politics or in nature.

Sir Josiah is a war-debts cancellationist, viewing the question not as a British citizen, not in any sense nationalistically, not with any moral prepossession, but purely from the standpoint of science at the service of humanity. He is persuaded that complete riddance of the vast obligations piled up by the war is vital to the economic health of the world. He is persuaded also that so long as these debts shall be outstanding they will be used to influence the minds of nations inimically to those sentiments upon which, and upon which alone, harmonious international relations, with all their inestimable common benefits, can be erected.

It is quite safe to say, I think, that this economic researcher and expositor would define American official thought, as revealed in American policy, as chaotic. He sees four distinct American policies, "no two of which are ever on the stage at the same time"—(1) a foreign policy against entanglements, (2) an investment policy involving foreign entanglements, (3) a debt policy requiring from abroad goods, gold, or services, and (4) a tariff, fiscal, and marine policy which would repudiate goods, gold, and services in a lump.

Our foreign investments, thinks Sir Josiah, cannot go on until the crack of doom. Already, to speak of only one nation, at our present rate of investment we shall "own half of Germany in twenty years." One day these debts will prove embarrassing. At least the interest on them must be paid, and a constantly swelling stream of interest payments will have its adverse effect upon American industry. Then America will recognize that debts must be paid, if paid at all, in the products of labor consumed in one part or another of the world's markets.

"Measured in human effort, the terms of the debt settlement between America and England represent no cancellation whatever, because it takes a great deal more human effort to send a pound to America now than before the war."

Hard-Thinking Mr. Keynes

FELLINGS, according to John Maynard Keynes, famous English economist, need to be elucidated "by an effort of the mind." Thought, in other words, Mr. Keynes considers a desirable thing. He trusts thought more than he trusts "political agitation or premature experiments"—at least, he deems such agitation and experiments of doubtful value unless preceded by thought.

I talked with Mr. Keynes, a tall, unaffected, courteous, lounging man, in the living room of his London home, while towering plane-trees rustled above the windows. There is a faint violet tinge in his gray eyes, he looks frankly at you, talks readily, makes frequent reference to books and papers, and has the unmistakable manner of one long habituated to study.

Great Britain, in Mr. Keynes' opinion, is "suffering the first pangs of something in the nature of another industrial revolution." Profound changes have taken place in the world. Men and things have changed. Old systems have broken down. Unexplored ground lies before humanity, especially British humanity. Politicians and empiricists in general need the counsels of scholars and thinkers.

Not much love is lost between Mr. Keynes and the empiricists of politics and business. Frankly, the economist attributes to politicians neither overwhelming knowledge nor impeccable morality, while he sees many business men groping in a dark and tortuous world by the light of tapers. Study harder! Know more! Think more! Mr. Keynes is a disturbing influence. He believes in tiptoe eagerness. He believes in work. The intellectual lazy do not like him.

What does conservatism say to Great Britain in her troublous situation? It says: "We must keep our old industries, good or bad. Lower wages? Have them. Longer hours? Have them. Protection? Have it. Subsidies? Well, not inconceivably. Have anything that may be necessary to preserve intact our historical industrial position!" Mr. Keynes rejects this standpoint. He is an economist. If an industry or a business is not economic, let it die.

Probably 10 per cent., of Great Britain's export industries have become non-profitable because of either internal or external reasons. Conservatism, by hook or crook, would enable these industries to continue. Mr. Keynes would allow them to wilt away. They are a "non-profitable fringe." Some diminution of exports and also of foreign investments easily can be

faced. Money and energy devoted to uneconomic trades, says Mr. Keynes, were far better devoted to stimulating other trades

in organized fashion.

"Great Britain must get properly on her feet again industrially, if the institutions of western society are to survive and to advance on accepted lines," says Mr. Keynes. "Like it or not, we are in the same boat. We shall float or sink together. Catastrophe in Great Britain—and industrial catastrophe would involve political catastrophe—would create a vortex of unprecedented danger in the heart of the democratic world. If statesmen are blind to this great fact, they must be made to see it."

Unlike some of his technical contemporaries, Mr. Keynes regards the British debt to America as a very heavy addition to Great Britain's burdens. Is it a small sum? It is equivalent to two-thirds of the cost of the British navy and to nearly the whole cost of education to the British government. Not all Great Britain's merchant ships and coal mines put together make a profit sufficient to meet the half million dollar daily payment which the country is bound to make to America for sixty years. With an equal sacrifice, Great Britain could abolish

her slums and rehouse her population in comfort.

Inter-allied debts, as Mr. Keynes believes, rest upon no good foundation of any kind—are repugnant equally to justice and to logic. They are political, not commercial, debts. He would have had them sponged from the slate on the day of the armistice. He would have had Great Britain follow this course regardless of what America did. Heeven would have put away the wild visions of what war-ravaged Germany could pay. He sees in the debts no economic advantage to anyone—only the prospect of growing bitterness. He has no doubt that the passing of the Dawes Plan into the category of vain theory is only a matter of a little time.

"Just look at this debt question for a moment," says Mr. Keynes. "It is a curious commentary upon the human mind. Why did we lend instead of giving? Merely to avoid waste and set up effective financial controls. There was nothing else to it. Nobody looked upon the money spent in the war as money invested commercially. It all went to defeat the enemy. Did Britain or America charge France or Italy for British or American shells fired off from British or American guns by

British or American gunners?

"Certainly not. Yet, when British or American shells were fired off from French or Italian guns, the real cost to us or to

America was much less, since France and Italy supplied the gunners, suffered the casualties, and are paying the pensions. In this latter case, we charged. When America was in the war only financially, she charged. When she was in, lock, stock, and barrel, relieving France in a whole vast sector, she herself paid everything and never dreamed of asking a dollar back.

"When Great Britain sent men as well as supplies to the Italian front, there was no idea of charging Italy anything. When we sent only supplies, we demanded pay for them. That is to say, when we spent little we put it all in the books against our ally, and when we spent much we forgot it. America behaved just like ourselves. When your men and guns had not reached the front, and only your shells or wheat or gasoline were aiding the French armies, the latter finding the men to use your equipment and to die using it, you put down against France the price of the shells and wheat and gasoline. But when you yourselves were furnishing everything, including the men to do the dying, you charged nothing. Who can find rhyme or reason, justice or commonsense, in such a policy?"

John Maynard Keynes is one of the relatively few men of the world whom science has done much to deliver from the impingements of nationalistic prejudice. That his deliverance is absolute I do not say. But I do say he is making a valiant effort to be scientifically free. His remarks with reference to America bear few signs of nationalism. He has imagination. England's seas do not beat too heavily upon his mind. He is conscious of the fact that the waters of the world bind—do not separate—the nations. Through the rustle of the plane-trees outside his windows he hears, and interprets with reasonable accuracy and fulness, the language of mankind.

Prof. Jones and Widening Hinterlands

CONFIDENCE in Great Britain's industrial adaptability, and in her capacity to cope with every problem of the postwar competitive situation in the world, appears in all Prof. J. H. Jones of Leeds University has to say on the subject. Prof. Jones, a native of Swansea, Wales, once the world's center for copper, smelting, and tinplate, is one of the best-informed and keenest of Britain's young economists.

Great Britain's debt to the United States does not loom overlarge in Prof. Jones' imagination. "It by no means threatens us with annihilation," said he to myself, as we lay on a hillside overlooking the English Channel, glistening in the August sun. "Our standard of living, as I see it, is not threatened by the debt. Before the war, we exported annually £200,000,000 (\$1,000,000,000). We shall not export so much money hereafter."

Prof. Jones regards the whole question of the Dawes Plan and inter-allied debts as an open one. Its answer, he thinks, is lost in the mists of the future. "Cancellation," said he, "might have its value as an international moral implement. America and Britain might say to their debtors, "Compose your differences, set your feet on the road to disarmament, and we shall consider measures of accommodation"."

What Prof. Jones has in mind respecting hypothetic cancellation is a proposal based upon a sliding scale. He would address the debtor powers in some such words as these: "No creditor nation could think patiently of such an event as continued preparation for war following an annulment of debts of war. Any statesman who led a successful fight for annulment, only to witness an increase of armaments ending in further war, scarcely could hope to escape political destruction. Cut down your armaments. As you do this, your war indebtedness shall be reduced. Thus it will lie in your power to effect cancellation."

Peace bears such a relation to world reconstruction that Prof. Jones does not think Britain and America, or either of them, could pay too high a price for it. He does not favor pressing the question of the Dawes Plan and inter-allied debts now "because party and psychological factors make a businesslike discussion in the United States almost impossible." This expert disagrees with the view of the British industrial world that the Dawes Plan is mainly responsible for the formidable reorganization of German industry.

"Germany, as the Americans say, would have 'come back' industrially, even if there had been no Dawes Plan. Great industrial energy and ability belong to and are a necessity of the German race. Its advancing recovery seems to me to be due to the policy first of inflating and afterward of de-valuing and stabilizing the currency. Though the Dawes Committee should have granted a complete moratorium for a period of five or ten years, the developments in German manufacturing industry would not have been different from those which we recently have witnessed. As the authors of the plan themselves have pointed out, Germany has not paid as yet any indemnity, as her foreign loans have exceeded by far the payments made under the Dawes Plan."

Ho." Great Britain has moved away from her primary industrial and economic foundations—moving toward the powerful magnet of easier and greater profits—furnishes Prof. Jones with one of the most interesting phases of his version of Great Britain's position today as a manufacturing and trading nation. "We arrived at the status of predecessors, not competitors, in iron and steel," said he. "Shipbuilding was more profitable, and we became shipbuilders. Our population in the Clyde valley shifted from the ore deposits to the riverside. What we needed for shipbuilding we largely imported. Now that ships are less in demand, we must retrace our steps. We must re-tackle iron and steel, for fundamentally we are a metal country. We must produce our own metal."

At the opening of the nineteenth century, England was almost a self-contained economic unit. She had some foreign trade, but her people easily could live without it. Blockade possibilities worried her little then; they worry her intensely today. Not only was the nation relatively self-contained, but many of its divisions were independent of the others. That whole story has passed into history. Engineering methods and rapid transport destroyed national and regional self-sufficiency, and at this hour England lives, and can live only, by buying and

selling at the ends of the earth.

Of the economic interdependence of the world Prof. Jones has no doubt. Poverty, distress, industrial disorganization, financial instability anywhere, in the professor's opinion, have their direct or indirect disadvantages everywhere. "Not only certain nations," says he, "but all nations are really, in varying degrees and ways, complementary. This relationship as between Argentina and ourselves, for example, is obvious, since Argentina produces what we want, and we produce what she wants. America, Germany, and Great Britain, on the other hand, have like mineral resources and a like industrial development—are, as we say, irreconcilably competitive.

"I believe the argument to be false. German-American-British community of economic interests exists, not protruding plainly from the intricate structure of manufacture and trade, but inevitably embodied there and destined, in a state of amicable interchange, to benefit all these countries. There is no such thing as depriving national genius, together with the physical peculiarities of nations, of the power of reciprocal economic profit. Some imagine the disappearance of Germany would help us. It might help a few of us for a time, but in the long run it would hurt all of us. Our period of greatest indus-

trial progress synchronized with parallel progress in Germany and in the United States. It is of the first importance that emphasis should be laid upon the economic unity of the world."

Whether the view originates in his hopeful spirit or in the soundness of his economic prevision, Prof. Jones is convinced that mankind is marching toward greater prosperity than it has known hitherto, and that Britain will have her full share of

the world's augmented fortune.

"We shall not lie down. We shall reorganize and re-adapt and reconstruct. All the earth is calling for fresh effort. Hinterlands are widening. New areas await civilization. Engineering and transport, in the widest sense, will continue their marvelous conquests."

Europe's Economic Epic

EUROPE has an economic epic. It was produced by two young British engineers, Cambridge men, Bertram Austin (croix de guerre de France) and Francis Lloyd, each holding a master's degree, who fought and suffered grievous wounds in the World War. Both had originality, energy, and ambition. Neither tradition nor doctrinaire thinking enslaved them. Patriotism traveled with them from the trenches to the open ground of peace.

They said to themselves: "We have borne arms and suffered for our country on the battle-field. Now that the war is over, what further service can we render the British peoples?" They saw that further service was necessary. They saw that Great Britain had lost her economic predominance. They saw that untrammeled thought and heroic effort were imperative, if the society for which particularly they had struggled were to keep

its place in the van of industrial progress.

Assurance of British capability was a part of their birthright. They knew, too, that Britain commanded great natural resources. "If we fail," they said to themselves, "we shall fail, not because we lack pluck or talent, nor yet because we are cut off from raw materials (for we are not) but because we are too slow in discovering and mastering new ways of exploiting our inheritance. Our need is to wake up. Our need is to slough the dead tissue of antiquated theory and practice."

Bertram Austin and Francis Lloyd had heard of America. They had heard that there was something over there besides "vulgar wealth," boot-legging, murder, banditry, political corruption, divorce scandals, jazz music, slang, comic strips, dirty streets, empty cans and rubbish, goats, spittoons, and profanity. (Messrs. Austin and Lloyd had heard this, in spite of much they had read about America from the pens of traveling British writers and from resident British correspondents in New York and Washington.) It seemed to these young Britons, both of whom were engineers as well as soldiers and men of general culture, that America might not be a bad place for a bit of open-minded and studious investigation.

They went. They went on their own initiative. They went at their own expense. They made an intensive tour of some of the industrial regions of the United States, determined to wrest from America the secret of her rapid industrial progress. Their prejudices, if high-explosive shells already had not blown them quite away, they slipped from their minds at the port of embarkation. They traveled and observed and thought as scientists. They came home with what the London *Spectator* has called "the new industrial gospel," and today it is read by industrialists, merchants, bankers, economists, journalists, and others throughout Great Britain.

"The Secret of High Wages" is the name of the little book containing the results of this work. If it is not, indeed, a "new industrial gospel" (and economists say it is not) it is beyond doubt a useful industrial gospel. And it is new to millions of Britons, if not to those who have lived much of their lives in economic text books. It tells Great Britain she is behind the times industrially. It tells her America is miles ahead of her in scores of ways. It hits straight and hard at the iron-faced, stiffnecked, stiff-limbed, stupid toryism of manufacture and trade.

High wages? How long the toryism of British manufacture and trade has feared and fought them! What were they supposed to do? To eat into profits. To eat into capital. To eat into exclusivism of social position and advantage. But what do young Austin and Lloyd say? They say high wages will make more profits. They say high wages will make more capital. They say high wages will guarantee existing social position and advantage and extend these preservatives of civilization to an ever-widening circle. It is good humanitarianism, and, in the broadest sense, good humanitarianism is good economics.

Another thing. Low prices, in many instances, have been feared and fought in Great Britain. Why? Because they were out of mesh with the profitable and comfortable business of small turnover. If you had only a little business, patently you must get your profits, if you had any, from high prices. Little businesses involved little brains, little energy, moderate profits, and low wages. Austin and Lloyd tell their industrial and commercial compatriots that the small-turnover theory is vanishing from the world. Pay high wages! Aim at a big output! Cut prices to the bone! Get your wealth from the sheer gold of the skill and vigor you put into industry!

From what Austin and Lloyd saw of manufacturing plants and commercial organizations in the United States they induced a number of general principles. One of these was the principle of the open door for loyalty and ability. "Never imprison merit. Set it free. Original inspiration and individual effort are the life of business." Make it as easy as possible for the consumer to buy your product. Make him like it by making it good. Low prices and high quality. Move your goods rapidly to the market, thus reducing both the funded and working capital required as represented by shop space, equipment, and

the finance of work in progress.

Multiply your labor units by machinery, thus increasing *per capita* productive capacity and cheapening manufacture. Avoid, as far as practicable, fixed wages, regulating pay according to output and so evoking the best endeavor of the best workers. "And do not hoard your ideas. Do not bury your talent. Put it into circulation. Do not be afraid of your competitor in the sense of taking the other side of the street lest he see what is in your head. You probably can afford to exchange what is in your head for what is in his. You certainly can afford to exchange what you know for what is known by your whole competition. Competitors should pool their knowledge and ideas. In this respect they should be truly zealous for competitive pre-eminence."

Bertram Austin and Francis Lloyd, since their book was published and awakened such reverberation in the British and continental press, have been heard frequently on the platform in their own country. They warn the British people against false confidence due to the prosperity of a large part of the

nation's superstructural industry.

"We are in danger," they argue, "because our basic industries are depressed. Ultimately we all, manufacturers, traders, bankers, insurance and shipping companies, professional men, depend upon the basic industries. These must be revived, and we can learn how to revive them by a constructive study of what justly can be called 'the American economic wonder.'"

Business Men as Labor Leaders

ERNEST J. P. BENN, a British business man of vigorous public spirit and an easy command of full-blooded English—he is the author of "Prosperity and Politics" and "The Confessions of a Capitalist"—is attracted by the idea that leadership in the labor world would be strengthened, and the interests of all the parties to industry advanced, if a certain number of business men would become labor leaders.

Mr. Benn thinks he himself would make a good labor leader. He admits that he is "considered a wealthy man," but says he does not see why, "if Bernard Shaw can be accepted as a safe guide to capitalism," Ernest J. P. Benn is not "justified in appearing for a time in the role of a guide to socialism—with which trade unionism, to its disadvantage, has become so closely associated."

British trade unionism, in Mr. Benn's estimate of it, has performed a splendid service for British labor—has "led our workingmen out of chaos and impotence into order and power, thus helping poor and rich alike, and cementing the foundations of the British State." But the "intellectuals" among British labor leaders, "drawing their inspiration from the Fabian society or from Karl Marx," have put their followers in a plight dangerous alike to themselves and to their country.

"We are human beings with stomachs to feed and bodies to clothe," says Mr. Benn. "We shall find no food or clothing in the theoretical heaven of the labor 'intellectual.' Our workers are magnificent men. They were magnificent in the World War. They were magnificent when, on May 3, 1926, they threw away their incomes, and, with a smile on their faces, walked into the poverty and distress of a general strike—millions of them, the greatest host, superb in its discipline, that ever took the field in what it believed, however mistakenly, to be the interests of the working man. Magnificent men, but tragically misled."

Business-like leadership, Mr. Benn thinks, would save labor from "dalliance with the mad idea of the general strike." Such leadership would teach labor that science and strategy, not blind emotion—noble though the emotion may be—must direct the course of trade unionism, if this great force in the democratic world is to be helpful to its membership and to society. "To society," repeats Mr. Benn, "for in no imaginable way can workers or any other category of the people promote their particular welfare while doing wrong to the general welfare of the social structure of which they are a part."

Mr. Benn, calling "absurd" the strike-cost figures (£750,000 or \$3,550,000) of Winston Churchill, "that picturesque public danger," declares the actual cost of the general strike to have been between two and three hundred million sterling (between \$1,000,000,000 and \$1,500,000,000). "Business-like leadership of labor would have made no such mess as this. Labor struck hardest at itself. It wounded itself most deeply. It bears deplorable scars financially; it bears worse scars morally.

Business-like leadership for labor!"

British trade unionism, as now led, seems to Mr. Benn to be at the other end of the axis from democracy. "Who in all history, what Alexander the Great, what Caesar, what Napoleon, ever had the power of the little group of men who ordered the general strike? Millions moved out, millions moved in, without a vote, without a syllable of counsel, from those most concerned. When, I ask you, in our time or in any time, has there been previously so gigantic an exhibition of the goose-step? It is not democracy, and it certainly is not business. And anything in these days which is neither democracy nor business is scarcely good enough for, at any rate, the English-speaking world. Labor needs a new deal in both the theory and the practice of its leadership."

Balanced business heads would tell labor, according to Mr. Benn, that its achievements in organization—very wonderful achievements—are not the whole story of nineteenth-century and twentieth-century civilization. These words project a wide beach of numerous considerable pebbles. Science, machinery, steamships, railways, the telegraph, the telephone, the automobile, the aeroplane, the radio—trade unionism made none of them and had in it not the remotest potentiality promising any one of them. We have a world of infinite contributory powers and values. Business-like leadership would bid labor cultivate a sense of the truth and the importance of perspective.

Bolshevism, says Mr. Benn, had too much to do with the general strike and has more influence than it ought to have in the realm of British trade unionism. Not that British workers in the mass are at all bolshevistic. They are not. But there has been a suspicious tinge about some of their leadership. Keenness in work; resourcefulness and enterprise in suggestions for improving the machinery of work; energy in output, which rightly will demand and receive its due reward; pride of craftsmanship; better feeling between employers and employes; a full realization that industry is governed by economics and not by politics; leveling up rather than leveling down as a means to

contentment and prosperity—in these, and not in any destructive theory, the working world should pursue its individual and corporate destiny.

America profoundly stirred the admiration of Mr. Benn on a recent visit. When he came home an interviewer asked him if British workingmen ever would own motor cars on the scale

of their ownership by American workingmen.

"It depends upon British workingmen," said Mr. Benn. "Motor cars do not grow on trees, are not climatically produced, draw lightly on natural resources, and could be made as easily in England as in America. Be ambitious, hustle, rise out of your class, if you can. Americans do. Bootblacks over there look quite at home in motor cars and aspire to the presidency. Production is the whole secret of motor cars, houses, telephones, and everything worth having. Business-like leadership of labor would give British workers pneumatic-tired buggies with engines under their bonnets."

Britain, industrially speaking, is in a bad way. Mr. Benn does not deny it. He calls it bad for Britain and for all the

world. And he calls it unnecessary.

"What is required are a fresh 'kick' and a new start. Labor needs economics and philosophy. It has some of both, but uses enough of neither. Its politeness to the revolutionary idea—a politeness often of only an occasional phrase or gesture—should be waived once for all. It should plant its feet upon the great and unchanging economic fundamentals. It should say to itself that capitalism is the only system evolved by man which can lift him in the scale of civilization. Work, hard work, intelligent work, happy work, machine-aided work, working and saving and investing, are the only magic we need for a complete and more splendid industrial renaissance."

British Goods for the British

"WE ARE in the midst of great problems," says G. Holt-Thomas, a life-long student of and participant in British industrial and commercial affairs. "As Lord Balfour remarks, 'it is absurd to say that such a position does not require a great and protracted effort on the part of the population of this country'. But, to quote Lord Balfour further, 'there is no reason why we should succumb in this competitive difficulty.' "No reason, indeed, yet undoubtedly a danger. Our position, as every keen and competent observer in Europe realizes, is marked by fundamental difficulties not present in the conditions of our powerful friends and rivals. Manufacture and trade are our life. Agriculture, however important it may be to us, is a subsidiary consideration in the colossal task of feeding, clothing, housing, and promoting the hygienic and cultural progress of our people."

Asked what he regards as the first necessities of the British industrial situation, Mr. Holt-Thomas replies: "Economic knowledge and the reforms certain to flow from such knowledge. We do not know yet the importance of British products for the British. Foreigners among us are amazed at the way in which we buy abroad commodities we easily could make at home. Our unwise expenditure for imports exceeds annually

the total of our debt to the United States.

"Why these purchases? Because our price is too high, and our price is too high because our economic theories and practices are antiquated and disastrous. Both employers and employes are to blame. They have stood aloof from each other, mutually unsympathetic, suspicious, disinclined to study their problems in a common light, too ready to seize the double-edged weapons of the lock-out and strike.

"Familiar statements, of course, but statements that must be reiterated until they take effect. In no country of the world—not even in America—have all traces of the immemorial industrial feud been obliterated. Educate, educate, educate—there is no other solution, and a solution must be found if the capitalistic system is to live. On that day when every employer knows and every employe knows that there is no dividing line, however thin, between the interests of capital and labor—on that day thorough and sound industrial constructive processes will set in."

Mr. Holt-Thomas questions the utility of corporate effort toward industrial reconciliation. "Employers' associations, trade unions, and governments should keep their hands off in this matter," say he. "Individualism is at the heart of all useful endeavor. Industrial peace can be made only by particular corporations or firms dealing directly and exclusively with their own men. Absolute honesty on both sides will untie every knot. Nothing must be concealed, and sympathetic personalities must represent in the negotiations both masters and men."

British employers, declares Mr. Holt-Thomas, have unequaled talent and experience, but are obstinately reactionary.

They are wont to identify low wages with prosperity, whereas low wages run irresistibly against prosperity. Only well-paid workers can create the markets indispensable to prosperity. If there should be such a thing as a minimum, there should be no such thing as a maximum, wage; and, given the absence of a maximum wage, the minimum wage will take care of itself. No insurmountable barrier should be erected in the upward path of individual energy.

Payment by results Mr. Holt-Thomas lays down as the inescapable prerequisite of a British boom. And ca' canny is his bete noire. It is the one fatally erroneous conception of British trade unionism. It breeds slackers. It restricts production. It acts as a destructive acid upon character. It puts ambition to sleep and lulls all industry as under an opiate. Mr. Holt-Thomas reports personal acquaintance with many engineering plants where a ban upon ca' canny would double and treble output, with moral and mental benefits immeasurable to the workers.

"Let us learn," beseeches Mr. Holt-Thomas, "that the great difference between this and other countries is that we alone restrict output deliberately. We are jealous of remarkable individual success and good fortune. Instead of applauding the hard and intelligent worker, we jeer at him and try to pull him back. We say to him, 'Mate, don't step on the gas so vigorously. Don't burn up the road. Don't speed ahead and smother us in dust. Let us all move comfortably along together.' This is our counsel, and it is the counsel sure to beat us, if we go on heeding it, in the grand industrial free-for-all of the nations."

Bricklayers are workers about whom Mr. Holt-Thomas knows a good deal. "There was a permanent British bricklayer," says he, "who was working as a trade unionist on boiler foundations. The boiler was soon to arrive and an assistant was suggested to hasten the work. 'Very good, if you like,' said the man, 'but I must tell you that two men on this job will do less than one. Left alone, I can do my best. Give me an assistant, and my output must fall to his or there will be trouble. It is trade unionism in England. Leave me alone and I shall be ready for the boiler when it comes."

British trade unionism, according to Mr. Holt-Thomas, is not more stupid than tyrannical, though it dominates "incomparably the best workers in the world." "For twenty years," avers this critic, "the union leaders have had complete control over the men. Hardly a union man in the country is allowed to work as he might. His eyes are turned away arbitrarily from the

ideal of an honest day's work for an honest day's pay. He could make twice or thrice the wages he makes, and so could be twice or thrice the man he is, if only he were freed from

trade union tyranny."

There are breaks in the ca' canny system. Individual firms here and there, pressing the lessons of modern economic experience and thought upon their employes, are bursting through the old restraints and forging forward. Take the Austin Motor Company, for example. It has established confidence between itself and its men and put up-to-date methods into operation. Results: Increase in output, 52 per cent. Reduction in price to the public, 38 per cent. Increase in wages distributed, 64.9 per cent. Average increase in individual wages earned, 108 per cent. Increase in profits, 93 per cent.

More Export Trade or Bankruptcy

SIR ALLAN SMITH, a solid, sandy-haired, shrewd-eyed Scotsman, chairman of the management board of the Engineering and Allied Employers' National Federation of Great Britain, (a combination of local associations representing nearly 3,000 firms with a total annual wage bill of well above \$300,000,000), holds that only a substantial revival of British export trade can save the country from bankruptcy.

"Facts and figures are what we should look at," said Sir Allan to myself as we sat in his small, simply-furnished office in Broadway House, Tothill street, London. "What are some of the facts? In all countries imports are paid for mainly by exports. But Great Britain, in respect of imports and exports, is unlike many other countries in that, while these countries, at a

pinch, can curtail their imports, Great Britain cannot.

"Raw materials and foodstuffs of foreign origin are vital to our industry and existence. Neither of these essentials can be produced on an adequate scale here. How can we buy raw materials and foodstuffs? Only by exporting in a big way. And we are not doing that now. Our exports are down and our imports up to such an extent that only a great change can save us from liquidation of our national assets and life on our national capital.

"Our total imports in 1913 amounted to something over \$3,000,000,000. For about \$2,500,000,000 of this sum (73 per cent.) we accounted in raw materials and foodstuffs. In 1923

the proportion had risen to 74 per cent. In 1913, denied foreign food, the United Kingdom would have been compelled to subsist, if it subsisted at all, on 58 per cent., less than it actually consumed. Even submarine warfare in 1918, with our government, regardless of cost, pressing production, raised our home supply of wheat and barley to only 34 per cent., of the total consumption.

"Three-quarters of our imports are necessaries. All these, with the exception of those covered by payments from foreign countries for services rendered (so-called invisible exports) must be paid for with British exports. Our invisible exports in 1923, \$1,500,000,000 in all, were derived, from overseas investments, \$750,000,000; shipping services, \$550,000,000; other services, \$200,000,000. Our overseas investments grew out of overseas profits. Stop our exports, thereby stopping our imports, and what becomes of our overseas investments, our shipping services, and all the rest?

"Export trade, clearly, is the criterion of British prosperity. Applying this criterion, we find ourselves in a much worse position today than in 1913. Our exports must be expanded enormously. This is the cast-iron reality of the situation. How can it be met? Only by reducing production costs and prices. Now we come to the rub. Taxation, national and local, both ultimately coming out of industry, are far above the level of 1913, and far above anything known elsewhere in the world.

"Witness the vicious circle. High taxation increases production costs, such increase drives up selling prices, high selling prices limit exports, reduced exports depress trade and swell unemployment, unemployment makes still greater taxation unavoidable. Our taxation in 1913 was, direct, \$450,000,000; indirect, \$400,000,000. In 1924 direct taxation had risen to more than \$2,500,000,000, and indirect taxation to more than \$1,150,000,000—increases of 402.2 and 185.5, respectively.

"Roughly, our imperial taxation today is \$75 per capita of the whole population, and our local taxation—so-called rates—\$20, making \$95 per head in all. Nor is this by any means the entire story. We have three main social services to which the government contributes nothing. These services are unemployment insurance, health insurance, and workmen's compensation, all maintained by contributions from employers and employes. Unemployment insurance cost in 1913, \$8,000,000; in 1924, \$150,000,000; health insurance, \$70,000,000 as against \$110,000,000; workmen's compensation, \$15,000,000 as against

\$35,000,000. We find, therefore, that these services weigh upon us now to the extent of 237 per cent., more than they weighed

upon us eleven years ago.

"Academic economists sometimes argue that direct taxation is not a burden upon industry. This argument, essentially, is fallacious. Direct taxation cuts the buying power of the population and thus limits the growth of capital, the life-blood of industry. Is not this, in a true sense, a tax upon industry? Direct taxes in 1913, out of a net taxable income of about \$4,000,000,000, \$250,000,000, or 6.6 per cent. Direct taxes in 1924, out of \$6,000,000,000, \$1,650,000,000, or 25.6 per cent. That is to say, out of every pound ordinarily available for saving and investment, one-fourth is taken by the State, principally for the payment of unproductive debts.

"Indirect taxation also affects industry indirectly. It does so in two ways. It raises the cost of living, and with it the general level of prices, and creates industrial trouble due to dissatisfaction with wages. How costly such trouble has been in Great Britain for many years one does not need to indicate. Take the wage-earner with the average family of a wife and three children. In 1914 this wage-earner paid in indirect taxes \$35, or between 65 and 70 cents a week. Ten years later he pays

\$95 a year, or between \$1.75 and \$1.80 a week.

"Local taxation, as to its greater part, falls directly upon industry. Of the \$750,000,000 collected in 1924 in local taxation, 82 per cent. was collected in 1154 urban parishes, corresponding in the main with industrial areas, and only 18 per cent. in 13,000 rural parishes. Instancing the effect of this, I may say that in 1924 the cost of local taxation per ton of finished steel was more than \$5 as compared with less than 70 cents in 1914. Economically, contributions to social services have the character of wages, since, lacking these contributions, workpeople would require equivalent additions to their wages in order to purchase the necessaries of life. Industry, therefore, bears directly the burden of social services.

"Modern shipbuilding and engineering establishments, of course, require large areas, thus incurring heavy rentals and heavy local taxation. Startling are the figures showing the position of typical shipbuilding, shipbuilding and engineering, marine engineering, engineering, founding and locomotive building firms in the Glasgow assessment area. In ten years' time these rentals have increased from 60 per cent., to 193 per cent., and the local taxation from 214.3 per cent. to 344.2 per cent. In view of these facts and figures, none of which is dis-

putable, little imagination need be used to appreciate the load British industry is carrying in a time of unparalleled economic dislocation in the world."

Sir Allan Smith points out the curious fact that in some cases doles are in process of conversion into savings certificates, and that capital—through British, Dutch, and German bankers—is siphoned out of Great Britain at low interest rates to be lent abroad at much higher rates. He expects many liquidations shortly of firms hitherto artificially supported, but says these liquidations should not be regarded as portending any general or serious collapse.

He believes, after thirty years' experience of industrial law, that the relations between capital and labor in Great Britain are improving, and that the "old country," gravely beset though it is, finally will re-order its industrial life upon a basis of secure prosperity.

War-Made Gaps in British Personnel

SIR WILLIAM LARKE, director of the National Federation of Iron and Steel Manufacturers, a tall, square-shouldered, keen-visaged, dark man in the prime of life, knowing as much perhaps as does anyone concerning British industrial conditions from end to end of the country, stated to me in his London office that he believed the British peoples would reap great benefit from the struggles which the war and its effects have imposed upon them.

"We have been hard hit," said he. "Our most serious loss was that of our finest manhood. In every department of life—in education, in the professions, in politics, in business—we sadly miss now the fresh and hopeful outlook, the audacity, the energy, the endurance, of those who were killed or disabled in the war, and who at this moment should constitute the driving force of the nation.

"Such losses are irreparable. They mean unusual tasks for older men ill fitted for such tasks. They mean also, inevitably, gaps in personnel, and consequently in creative vigor, that this generation by no conceivable heroism of effort can fill. We older men can think and work harder—we can do our best to make the gaps as narrow as possible—but the gaps will remain. We cannot make good to the nation the loss of the flower of its human assets.

"But our troubles are effective instructors. Not a few of our ideologies have been shaken. Doctrinairism does not impress us as it once did. Socialism is discredited and going. Smugness, apathy, indifference, over-confidence, are yielding to the trip-hammer of necessity. We are studying economics. We had a general strike. We did not like it. I may be wrong, but I doubt if we shall have another. I think we all have learned that general strikes, however stimulating and picturesque they may be, are politically dangerous and economically disastrous.

"Our general strike, I feel safe in saying, was so valuable in its governmental and industrial lessons as to be worth all it cost. True, our education is incomplete. But we have learned a lot and are learning daily. We have learned that the strength of the nation is overwhelmingly greater than that of any trade union, or union of trade unions, and that even the coal industry has no strangle-hold over our people. We can and are getting coal from outside—from America, from Germany, from Silesia. Our coal owners and miners must learn that we can worry along somehow until they adjust their differences and master the secret of making their industry self-supporting."

Sir William Larke's special knowledge, of course, is in the field of iron and steel. His federation represents 97 per cent. of the steel, 88 per cent. of the pig iron, and 87 per cent. of the wrought iron production of the country. Its voice is authoritative for the British iron and steel industry as a whole, and is so received by the British government. It advises on national and international questions within its sphere, collects and publishes statistics, collates domestic and foreign figures, and studies transport and fuel-economy questions related to iron and steel.

It is a prodigious industry, of tremendous importance economically, providing normally huge exports—the second largest single item after cotton—and forming in war the chief basic source of the materials of national defense. Its defensive importance lies not only in its main product, but in its byproducts resulting from the carbonization of coal in coke ovens and in blast furnaces—processes which supply the raw stuff of high explosives. Nearly 250,000 workpeople are employed directly in British iron and steel melting furnaces and rolling mills, while iron and steel furnish the principal raw material of shipbuilding, engineering, structural, and other industries, with employes numbering 1,500,000.

"Great Britain was the birthplace of the iron and steel industry," said Sir William, "but by 1913 we contributed only 14 per cent. of the world output of pig iron, Germany contribu-

ting 21 per cent. and the United States 40 per cent. After 1920, a boom year, our industry entered a period of profound depression. Only the sheet and tinplate trades escaped this depression. Our production of pig iron in 1924 fell to 7,319,000 tons, or 29 per cent. less than in 1913, representing only 60 per cent. of present effective capacity and being less even than the production of 1880. Steel production in 1924 dropped to 70 per cent. of effective capacity, with other branches of the industry, notably castings, forgings, springs, tires and axles, working at a still lower proportion of their capacity.

"Despite this situation, with our works equal to our whole home demand, we imported iron and steel enough to have given employment to 100,000 people throughout 1924. Our imports, in a word, have increased and our exports decreased, owing to the fact that our industrial adaptation had grown away from the fundamentals of metallurgical production. Prices also have been low, only 36 per cent. above pre-war, while 'all commodities' have been 70 per cent. above pre-war. On the other hand, coal for iron and steel works has been 80 per cent. above pre-war, placing our industry in a position of immense difficulty.

"Reasons for the existing depression in British iron and steel are conspicuous in many directions. Three of our largest consumers, shipbuilding, engineering, and constructional work, are in a bad way. Iron and steel plants have been augmented in Canada, Australia, Japan, Italy, Spain, India, and China. There is marked under-consumption of iron and steel in export markets. Depreciated currencies, lower taxation and rating, lower capital charges, lower wages and longer hours, lower transport charges, and some instances of competitive sales at a loss have had their damaging influence upon our trade. Happily, our relations with our own labor have been excellent, standing, as they do, upon mutual trust, frankness, and the sanctity of agreements, through a period of half a century. We favor neither compulsory arbitration nor legal enforcement of agreements as means to peace or efficiency in industry. Our whole faith, in this respect, rests upon the principle of voluntarism wisely inspired."

Does Sir William Larke end his discussion upon a note of

pessimism?

"On the contrary," says he, "our federation faces the future with the will to overcome every handicap. As I have said, Great Britain's post-war trials are spreading a knowledge of economics and strengthening the moral sinews of the nation. In iron and steel our federation is a national forum of debate

and an engine of ceaseless inquiry and experiment. Whatever organization, science, and machinery can do for our industry will be done. Collective buying and selling and other forms of corporate action will be tried out. Nothing will be left undone to understand iron and steel questions in all countries, and thus to arrive at intelligent bases for policies of production and sale. Gradually, we may hope, the great manufacturing and trading nations, recovering from the fears and the economic aberrations born of the war, will return to those naturally complementary relationships which will effect a normal redistribution of the prosperity of the world."

"Wipe Out the War Debts"—Bremner

"WE ALWAYS wanted the coal strike settled, but we wanted it settled right," said D. A. Bremner, O.B.E., director of the British Engineers' Association, which represents an industry consuming not much below 10,000,000 tons of coal a year. "Engineering is deeply interested in coal, both as a direct and as an indirect consumer. Our industry is interdependent with the iron and steel and shipbuilding industries, and with the innumerable branches of manufacture for which engineering provides the plant, machinery, and tools, all of which are directly or indirectly dependent upon coal.

"Unemployment in engineering was almost doubled by the coal stoppage, and its effects upon costs converted many prospectively profitable orders into losses. But there is something still more important than even these grave facts. It is imperative that we should dig down to hardpan as a basis for all our industries, and particularly for the great fundamental industry of coal production. This industry, like the rest, must vindicate itself against all competition. Any other issue would be a disaster

of the first magnitude."

Mr. Bremner, whose towering figure and forceful manner go well with his never-failing outspokenness, declares that "it is high time we had an end of lying about the condition of British industry." He considers this condition so bad as to require the term "catastrophic." And he has no shadow of doubt that "an industrial crash in Great Britain would be a calamity to the civilized world." His measured words to me were these: "Let the intelligent men of America and Europe put their heads together. Let them be honest with one another. And

then let them brush away all camouflage and tell their peoples what the international economic situation really demands."

"And what does it demand?"

"It demands, for one thing, the wiping out of unproductive debts. These debts never can be a source of prosperity to anybody. This fact is known to every economist in the world. It is known to every statesman worthy of the name. It is admitted freely in private conversation wherever competent men discuss the subject. Why, then, not make a clean breast of the matter? Why treat great democratic peoples as if they were children? Germany cannot continue indefinitely the huge payments contemplated by the Dawes Plan. 'Cannot' I use in a broad economic sense. I mean it is economically impracticable and undesirable that Germany should occupy world markets on the gigantic and abnormal scale necessitated by the Dawes payments plus Germany's irreducible living requirements.

"When a British citizen advocates a riddance of debts that create nothing to earn interest upon them, he is by no means put out of court by self-interest. Great Britain's lendings for the war substantially exceeded her borrowings. But for these lendings, obviously, this country would not have been compelled to borrow anything, and today would not owe a shilling to nationals other than her own. We, as well as America, could have argued for the principle of the sanctity of international obligations—could have treated the war debts as commercial debts, but our judgment was against such a course on both moral and economic grounds. If we try to collect from our debtors what we must pay, it is only because our industrial position and our excessive and unequaled taxation and rating

constrain us."

Political importance of the first order, as well as basic economic importance, attaches to British engineering, according to Mr. Bremner. "Engineering," said he, "supports the entire material structure of our civilization. It enables us to farm, to mine coal, to produce iron and steel, to manufacture foodstuffs and clothing, to supply water, heat and light, to move goods and passengers, to communicate across distances. There can be no doubt whatever that the decay of our iron and steel, shipbuilding, and engineering industries, all inextricably united, would cause the dissolution of the British empire.

"None of these industries is prospering today. All are far below their pre-war state, and, even if this state were restored, the situation would be unsatisfactory absolutely and relatively, because of our increased population, our enormously increased financial burdens, and the higher standard of living of the masses. Referred to the basis of 100 for the year 1913, our exports of metal, shipbuilding, and engineering products in 1924—the latest reliable figures attainable—were only 79.2 per cent., while our imports of the same articles were 102 per cent. But for the coal strike, we might have improved upon these figures this year, but such improvement, as matters stand, is

out of the question.

"Our selling prices must be cut. Dearer coal offers no chance for such cutting. Profits offer no chance, for these already are too small or non-existent. Lower costs of production and distribution are the only way out. Such economies, I need not say, we should seek to realize without regard to foreign competition, for increased sales and profits are in themselves desirable things. But foreign competition and profoundly altered world conditions confront us. We must have cheaper production and distribution costs, better salesmanship, the utmost skill and energy in our manufacturing and export trade."

Biting criticism of the employing class is a feature of Mr. Bremner's oral and written expressions concerning the whole industrial position of his country. "We have deep unrest," he remarked. "Unrest is all right, if healthy; it is all wrong when morbid, and with us at present it is morbid. Reason among our workers is impaired and their sense of responsibility weakened. Our employers, with all their advantages of heredity, education, and specialized experience, have been remiss in the duty of educating our people in the essentials of political economy. There is grotesqueness in the very notion of a democracy uninstructed in the only ways by which nations can live wisely and well.

"Capitalism stands in need of an energetic and magnificent defense. Its enemies, vain dreamers, have been allowed for far too many years to range almost unmolested over the field of economic controversy. They should be brought to action. Their fallacies should be exposed. Only the employing class can do this. They can do it by organization. Our delicate and complicated machinery of wealth production—the system by which we get our daily bread—is threatened with disruption. As popular opinion runs today, British employers excite neither fear nor respect, much less sympathy.

"Let the figures pass. We all know they are bad enough, and, lacking a change in the spirit behind them, are sure to grow worse. Three-cornered duels among trade unions, employers, and governments must cease. Class politics, breeding and

feeding upon industrial unrest, must be beaten down. Outright revolutionism must be crushed. Labor demands for hours and wages outside the realm of economic practicability must be shown up as fraught with ruin for all classes. Strikes, lockouts, bullying pickets, restricted production, opposition to payment by results, wasteful restriction of overtime, insecurity of capital, discouragement of investment in industrials, discouragement of enterprise, under-production and over-consumption of values—these are some of the many evils we must remedy by education before we can hope to present industrial statistics worthy of the manufacturing and trading history of the British peoples."

All for education in the cardinal truths of the intricate science of business! "We study Latin and Greek, and splendid cultural implements they are. But when are we going to learn that Latin and Greek, that all culture, that literature and art, that our professions, our liberties, our lives, depend upon our ability to regulate our workaday affairs with vigor, sanity, and intelligence? Economic conferences? By all means let the world have them, for it sorely needs them."

Sir Horace's Tell-Tale Line

SIR HORACE WILSON, for the past five years permanent secretary of the ministry of labor, a slender, small-statured, fair, intent man of middle age, sits in a light-flooded room in Montagu House, Whitehall, and keeps watch upon the curve of unemployment in Great Britain.

"This curve," said he, "reflects our varying industrial fortunes. You will note"—pointing to a chart on a wall—"that the tell-tale line has risen and fallen, sometimes sharply, sometimes gently, over the whole post-war period. Strikes have sent the line sky-rocketing; resumptions of work have pulled it down. But its consistent movement, I am sorry to say, has been away from the ideal zero."

"Are there indications that the direction of the movement will change?"

"It must change. So long as we have industrial vicissitudes, this line will record them. So long as our employers and employes quarrel, the story will be told on this chart. It is a simple line—just a plain line running up and down, a black line, no thicker at one place than at another, nude of differentiation,

yet eloquent of strikes and lockouts, disputes, developing and declining markets, incidents on the firing-line of international competition."

"You say the direction of the line must change."

"It must change and will change. This is what all the struggle over here is about. If our curve of unemployment were going right, we could rest on our oars a bit. It is not going right. I do not mean that all our industries are in trouble. They are not. But many of them are, and these, unhappily, those to which our prosperity is finally referable. Our basic industries must rise out of their depression. It is not easy. We cannot throw a tariff wall around them. We cannot project a breakwater to shield them from the open sea. We are exporters—the first in the world. Our basic industries must re-take and hold their necessary place in the great areas of universal competition."

Unemployment is the dominating factor in the British industrial situation. Its volume, incidence, and industrial effects are receiving the closest expert study. What causes the abnormal level and long persistence of unemployment in Great Britain? There are numerous causes, all substantial. There is the old industrial feud—the conflicting, uncompromising standpoints of masters and men. These standpoints are like rock. Apparently, much further grinding will be necessary

to reduce them to powder.

And there is the great break in the world's purchasing power. Peoples generally are poor. The war made them poor. They cannot buy England's goods, or anybody's goods, as they did before the war-flame consumed vast quantities of human productive power and of capital, and left humanity confounded and irresolute in the presence of economic and financial problems unexampled in history. Purchasing power—given world peace—will return. While man lives he will build. But, meanwhile, the going is hard for predominantly world-competitive nations such as Great Britain.

Local manufacture abroad is another post-war development that bears heavily upon Great Britain and other countries similarly circumstanced. Local manufacture abroad is only another term for restricted export markets. When the war came, it caught a lot of nations short of necessaries they had been importing and were not prepared to make. Such nations suffered an unforgetable pinch. They said to themselves, "This shall not happen again. We shall take stock of our industrial situation. We shall build foundries and mills and factories." And they did. Exporting nations awoke one

morning to find that long-established markets for their wares had vanished and that costly manufacturing plants were useless.

Nor did the new troubles for the exporting nations stop at this. Local manufacture abroad was not content to make things merely for home consumption. It became ambitious, looked across frontiers, coveted foreign markets, began to export. To every nation so influenced and disposed belonged certain advantages peculiar to its genius, geography, and climate. These advantages told in the competitive struggle. It was a new situation in the world, and it imposed upon the historical users of foreign markets handicaps which stilled numbers of their wheels and released tens of thousands of their workers to gossip on street corners.

New nationalities and tariffs sprang into life and force, with innumerable prohibitions, licenses, and other restrictions upon world commerce. India became nationally self-conscious and self-protective, hampering British trade with the great peninsula. India put a tariff on cotton textiles. Britain protested. India doubled and then trebled the tariff, saying, "We raise cotton. We wear cotton. Why should we not spin cotton yarn and weave it into clothing for our backs?" There was no answer, and grave was the consequent depression in the cotton industry of England, with its inevitable result of extensive unemployment.

Even Great Britain's Dominions maintained, and continue to maintain, tariffs against the home country's products. True, these tariffs are reduced somewhat favorably to British goods, but it is a fact, despite these preferences, that American manufacturers are more than holding their own with their British competitors in the Dominion markets. Standardization, mass production, and a maximum use of non-human power are the explanation. It is all very well to exhort Great Britain to copy or cap American methods, but Great Britain has not the vast home market to support the manufacturing plant for such an achievement.

Lower standards of living, longer working hours, and floods of paper money on the continent of Europe were, and to some extent still are, additional sources of competitive difficulty for industrially-stricken, pitilessly-taxed, gold-standard England. British trade unionism is in the trenches against lowered living standards and lengthened working hours, and the British business and financial world will have no more of inflation. Thus no relief is promised in this direction unless and until continental labor and fiscal conditions shall approximate a parallel with corresponding conditions on the opposite side of the channel.

Hence, quiet and reflective, in his Whitehall office, with statistical studies regularly flowing in from the wide and diversified field of British industry, the slender, small-statured, fair, intent man of the ministry of labor—Sir Horace Wilson—traces from day to day and week to week his fluctuating line of unemployment, and waits in vain for an alteration in the unsatisfactory consistency of its trend.

That Indomitable British Spirit

SUMMING up the best-informed and most responsible British opinion, one can state that the British nation, fully conscious of its financial burdens and its industrial and commercial difficulties—burdens and difficulties which it never ceases to feel and to discuss—is none the less hopeful, energetic, inventive, and determined. To put the truth in a phrase, the British spirit of the moment is the British spirit of history.

Previously in this series of studies mention has been made of Great Britain's more serious mood, of her psychological stresses and changes, of her spiritual reawakening, of her deepseated intellectual revival. Of these things it has been said that they portend a renewal and extension of material power. Despite all the clashing and confusion, to be in Great Britain at this time is to feel oneself in the current of a great character-force and thought-force sweeping toward a happier era.

British folk have suffered profoundly in soul and in body. They mourn a million dead. Tens of thousands of homes and hundreds of thousands of hearts have been devastated. It is a poor preparation—this bereavement—for instant acts of reconstruction. And there were vast material losses—billions of sterling burned up, huge debts contracted, 8,000,000 gross tons of shipping sunk (value nearly \$4,000,000,000) and imports swollen from \$3,800,000,000 (1913) to \$6,500,000,000 (1925).

These imports, moreover, were bought when the world was ravenous for goods and no one haggled over price. Nations competed with one another for preference in every productive market. If Great Britain could have purchased her imports of 1925 at the prices of 1913, these goods would have cost her less than two-thirds of what she actually paid for them. In other words, but for the economic upheaval and dislocation produced by the war, British consumers, on their purchases for 1925, would have been in pocket more than \$2,000,000,000.

War pensions constitute another item belonging to the question of what brought about the situation which Col. George Harvey has termed "The Plight of England." Since 1917, the British ministry of pensions (up to March 31, 1925) has disbursed in actual net expenditure, excluding all administration charges, over \$2,800,000,000. On April 1, 1925, the capital value of war pensions remaining to be paid was approximately \$3,500,000,000, making the total burden of British war pensions about \$6,300,000,000. Great Britain's national debt at present is roughly \$40,000,000,000, representing in charges 44.4 per cent. of her total budget, as compared with 11.5 per cent. in 1913-14.

Unemployment is costing the country heavily. Health insurance and workmen's compensation are further burdens upon industry. All these charges, in their varying degrees, tell against British manufacturers in their struggle to regain their feet after the staggering blow of the war. Those groups of industries which are in trouble—the exporting groups, coal mining, iron and steel, engineering and shipbuilding, electrical manufacturing, cotton, woolen and worsted, chemicals, and clothing—account for four-fifths of the entire exports of Great Britain, Ulster, and the Irish Free State.

Coal mining underlies the whole structure, and this "mother industry," just free from many months of idleness and strife, faces an uncertain future. There has been a settlement which no one regards as likely to be permanent. On the one side—that of the owners—was threatened economic collapse, on the other—that of the miners—starvation. Meanwhile, Great Britain not only lost her coal markets, but imported 4,000,000 tons of coal a month at a cost of more than \$35,000,000, whereas before the strike she was importing almost no coal and exporting nearly \$18,000,000 worth a month.

How this condition affected the great metal industries of the country is shown by the fact that only five blast-furnaces out of a total of 470 are in operation. Intense bitterness marks the mining imbroglio. No compromise is met by no compromise. Diehard tories commend, liberals condemn the owners, while the public prays for a lasting peace in the industry which already is responsible for more than half of the total number of working days lost in Great Britain through trade disputes over a long period of years. For the moment the coal commission's report—admittedly, a great document—has been swept out of the field.

Sir Robert Horne, M.P., formerly chancellor of the exchequer, calls the strike "horrible," and urges British fuel

economy engineers to press their investigations and experiments with all possible zeal. "Our fuel is coal," says he. "Our industrial wealth is founded upon it. The strike of 1921 cost us \$1,500,000,000. This strike has cost us upward of \$5,000,000,000. Such waste! But we always are wasting money over coal. In 1924, out of 184,000,000 tons of coal used in this country, 147,000,000 tons were used in a raw condition, involving incalculable waste.

"We are importing oil at the rate of nearly 1,300,000,000 gallons a year. If certain theories be sound, a large proportion of our oil can be extracted from the coal we are using, leaving a residuum of solid fuel almost as efficient in respect of heat and energy producing power as was the original coal from which the oil was extracted. Cheap coal, too, can be used. Success in this field would add enormously to our wealth. Oil is obtained from coal powdered and treated with hydrogen under pressure (as in Germany) and by a process of low-temperature carbonization. This latter process yields almost liquid fuel and gas of high calorific virtue, with a solid residuum of especial value."

In the midst of her manifold problems, thanks largely to reduced emigration, Great Britain has 2,000,000 more souls to support than she had before the war. Col. Harvey's review of her position convinced him that she was living on her capital. It would be hard to find anyone in England who would agree to this view. For example, the Right Hon. E. Hilton Young, chairman of the royal commission on Indian currency, states that Britons "are not living on capital, for, so far as capital is plant, we cannot live on it; and, so far as it is consumable wealth, if we live on it, it is not saved and is not capital."

However, Mr. Young admits: "We are living to some extent on wealth that, according to pre-war standards, would have been saved and thus become capital; and it is necessary that, by a general reduction of expenditure, national and personal, we should cease to do so."

What Frenchmen Are Thinking About

COLOR, charm, and force in sharp relief individualize the personality of that famous French journalist, Stêphane Lauzanne, editor-in-chief of *Le Matin*, Paris, a smartly-dressed, medium-sized, brown-eyed, handsome man, who carries his multiform duties merrily in the midst of the noisy tumult of his great city.

"Undoubtedly we are heavily laden, we Europeans," said the editor, leaning back in his swinging chair and smiling as if it were not so. "We do our best each day, by way of thought and work, and lie down to await the morning with such assurance as we can command. History, it seems, let men do what they will, is disposed to write with its own pen."

"And what mainly are you thinking about?"

"Always the same things—the Dawes Plan, our debts, our economic and financial conditions, our European neighbors, the peace of the world."

"What do you think about the Dawes Plan?"

"That ultimately it will disappear in some general liquidation."

"Would France agree to the abrogation of the plan on the basis of all-around debt cancellation?"

"I think so."

"What is the explanation of the apparent prosperity in France?"

"Inflation."

"You do not believe in inflation?"

"Certainly not. If it has temporary advantages, if it is sometimes inevitable, it is finally disastrous. Inflation is financial intoxication. It quickens the industrial and commercial pulse, flushes the social complexion, imparts a deceptive sense of well-being and strength, but is really fraught with depression and collapse. Inflation necessarily is fleeting; it either ends in stabilization or wipes out active capital, leaving

a nation economically prostrate.

"France's most ardent desire is to escape from inflation. All the efforts of our government and people are directed to that end. We shall peg the franc—at precisely what figure I do not know. Naturally, we wish to stabilize with as little loss to our individual and national capital as possible. Our treasury is all right, having sufficient dollars and sterling for its needs. If there be any doubt about our forthcoming position relative to exchange, the doubt affects our commercial men, but their problem doubtless will be met successfully. Universal relief from unstable currencies is the prime need of Europe, for they not only complicate industrial and commercial relationships, but militate against neighborly sentiment. Nations resent foreign prosperity, or apparent prosperity, resulting from depreciating currencies, with their momentary bonus upon exports."

"France has 3,000,000 foreign workers within her borders?" "Yes; and with very little unemployment—facts due (1) to

our low birthrate, (2) to the loss of 3.5 per cent. of our popula-

tion in the war, and (3) to the inflation forced upon us by overwhelming financial needs, while we were confronted by colossal imperative tasks of reconstruction, and while reparation payments from Germany were not forthcoming. Our social and economic vacuum exercised upon adjacent peoples differently circumstanced an irresistible suction."

"You say you think always about your debts."

"Yes, we do."

"Do you think you ought to pay them?"

"Our so-called war debts, no. We feel we were immolated for a liberty which is the heritage of the world, and particularly of that part of the world belonging to our creditors, America and England. Upon the ruins of France, we feel, the liberty and the security of America and England, not less than the liberty and the security of ourselves, were builded. We do not like claims for money in such a connection. And, conceiving such claims to be morally repugnant, we have not a doubt that they

are economically unwise.

"But I am not, and *Le Matin* is not, against the proposed settlements with America and England. We are for them. We believe them to be politically prudent. We believe them, from our point of view, to promise financial aid toward stabilization. And, as I have said, we supremely want stabilization, not only for the conservation of what capital we have left, and for our own sentimental satisfaction and economic good, but in the interests of reconstruction and settled peace in Europe. Let the settlements be ratified, and let justice and sound economics wait upon education and time."

"Has America become odious to the French?"

"No. Creditors, of course, are never too popular. But America is not odious to France. America—the name—stirs tender reverberations in the French heart. France admires America, wonders at her brilliant deeds, and rejoices in them. But Frenchmen do not like America's claims for money spent for liberty. Such claims seem to her unlike and unworthy of America. Frenchmen say about this matter, 'Why, America gave her boys freely. She was ready to give any number of them without thought of charge. It is inexplicable that she should charge for her money.' So runs the feeling, but America is not, and never will be, odious to France. 'Odious' is too strong a word to describe French sentiment with reference to either America or England. France respects and is grateful to both."

"If America yielded respecting the French and other European debts owing to her, might she be expected, as time went

on, to yield on the tariff, immigration, prohibition (in the interests of wine-makers, brewers, and distillers) and any other matters concerning which Europe and America might

entertain conflicting views?"

"I should call the suggested sequence fantastic. These war debts stand alone. They were incurred for the salvation of freedom. From other secular things they are separated by something sacred. They belong to the great pool of sacrifice for those indefeasible human rights implied in the word 'democracy.' Such debts are not commercial debts, and, in ethics, never can be."

"What is the solution of the raw materials problem?"

"Statesmanlike handling on the theory of the interdependence of nations."

"How about disarmament?"

"Armaments are a deadweight that must be resolved—another call for statesmanship."

"Is Europe tending to embark upon a policy of economic

balance of power against the United States?"

"Against the United States, no. We must get rid of this idea of 'against.' If Europe can consolidate itself economically, and become prosperous, America will benefit as the rest of us benefit. Prosperity, wherever it may be, never hurts anybody. America's prosperity, for instance, does not hurt us, nor any part of Europe; it does us all good. To be sure, no nation wants to be, nor, if it can help it, will suffer itself to be, overwhelmed by a foreign economic or financial flood. But I see no danger of such a flood, and I do see the guaranty of international in national prosperity."

"One hears occasionally of a possible warlike European-Asian

combination against America."

"The wildest conceivable vagary."

"What probably would be the effect upon France, and upon western Europe generally, of a national crash in England?"

"We should have a general catastrophe. Such a crash, in-

deed, would shake the world."

"Do you think England's industrial position, together with her excessive and growing population, involves insoluble

problems?"

"No. England is having a hard pull, but what nation pulls better? She will drag her load out of the mire, and Europe will be happy to see her do it. I wish she were more neighborly with us on the continent, in an economic sense. I wish her iron and steel people, for example, would join their industrial fellows of

Germany, Belgium, Luxemburg and France in righting these industries, and thus paving the way for the prosperous employment of both capital and labor. Huge industrial and financial combinations are a necessity of our time. They mean abundant and cheap production and the markets for such production. We think England, without any loss in her inter-empire economy, can work more closely with continental Europe to her immense national advantage."

America as a Force for Peace

IN HIS characteristic book, "Theodore Roosevelt—an Autobiography," this great American says: "One of the foremost men in securing the independence of Panama, and the treaty which authorized the United States forthwith to build the canal, was M. Philippe Bunau-Varilla, an eminent French engineer formerly associated with De Lesseps and then living on the isthmus; his services to civilization were notable and deserve the fullest recognition."

These words were written some thirteen or fourteen years ago. M. Bunau-Varilla is still alive, still active in body and mind, still "an eminent French engineer," still interested in America—still a lover of America. He was one of the greatest figures of the Panama drama; the story of his connection with this enterprise, of what he did to see it through, has a permanent place among the stirring passages of the history of the Americas.

Theodore Roosevelt said one day to W. Morton Fullerton, associate editor of *Le Figaro*, Paris: "Bunau-Varilla brought the Panama route to me on a gold platter." How he did it is not for review in this place, but the episode is one of the most dramatic in the annals of political and engineering romance. Let it suffice here to say that Bunau-Varilla's quality today is identical with that which associated his name with the Panama adventure immortally.

Bunau-Varilla is not only a great French engineer, but a great French gentleman. Every American in Paris who knows him loves him. He is one of the most brilliant and popular members of the Union Interalliees. When he stubs into the rooms or the garden of this famous club—he has only one leg now, the other having left him when an aerial bomb fell one night at Verdun—men call to him and stand and salute. His hair is gray, his square face bleak, his eyes steel-like, but friendly.

Just a few lines for that night at Verdun. Bunau-Varilla was there in an engineering capacity. It was his job to see that the French troops had a constant supply of water, and this duty, since the German artillery and bombing planes were playing heavily upon the French positions, required that he walk ceaselessly about the field of battle. With him walked a major of the regular army in command of the anti-aircraft forces. This major was disgruntled because he had been shifted from the infantry to the air arm; he liked "orthodox" military duties.

"Cheer up, major," said Bunau-Varilla, amid the roar of guns and shriek of shells, "our defense has absolute unity. There is only one command."

"Thanks, Col. Bunau-Varilla," replied the major, "that remark makes me feel better."

"And, curiously," said Bunau-Varilla, as we sat talking in his study at 53 Avenue d'Iena, "the next moment a bomb from the air exploded near us and killed the major instantly."

"And,"-after a pause-"what happened to you?"

"Oh, only this," pointing to his wooden leg.

Politics, engineering, war—this fascinating Frenchman is about equally at home with them all. Great men like to talk with him concerning any one of them. Charles Evans Hughes, for example, when in Paris last August, spent an afternoon in Bunau-Varilla's home discussing with him the problems of the world. Politics, in the broadest sense, is his chief interest now. He looks to political science and the cognate sciences of economics and finance to "end forever the calamitous imbecility of war."

"Does America appreciate her influence upon the issues of peace and war?" inquired Bunau-Varilla, earnestly. "Does she realize that she could have prevented the war which broke out in 1914? She could have done it. She is the only power that could have done it. She was not on the spot. She was far away. She was dallying with the illusion of isolation. There is no isolation in these days. For first-rank nations there never will be any isolation again. Neutrality, as regards such nations, is gone. Given a world war, every first-rank nation, and America beyond question, will fight on one side or the other. America could have prevented the war of 1914-18; she can prevent a catastrophe similar, but worse."

"How can she do that?"

"By putting her prestige cooperatively and constructively into the world concert for peace. Whole-heartedly she should

do it—definitely, avowedly, officially, leaving no manner of doubt in the mind of any would-be aggressor anywhere that any plotter of war or maker of war is an enemy of the United States and heading straight for the practical expression of that nation's displeasure and power. What nation would this not stop? What nation would pursue the path of warlike adventure, with America and the nations which naturally would gather about her standing embattled in the way? The answer to the question is in the asking of it—not a nation on earth."

"You think America has international power as a creditor

nation?"

"Decisive power. America and England, at this moment, in the respect suggested, are in a position of supremacy. Issues of the most tremendous historical importance are in their hands. They can decide what road humanity shall travel—whether the road of a new peace and happiness or the road of continuing periodical strife and misery. It is not only, nor mainly, their financial power which is decisive. It is their whole power, the totality of their power, their power of character, intelligence, experience, natural resources, and physical equipment. Only the proper use of this power is necessary to the establishment of peace."

"How, specifically, should England and America use their

financial power?"

"They should use it, in my view, to remove from the sphere of international relations, summarily and once for all, those financial claims which they are pressing against the nations allied with them in the great war. America, I think, should move first. She should waive her financial claims against all the peoples who fought with her for liberty, but should do so only on these conditions: (1) that each of these peoples relinquish its total credit with the allies, and (2) that Germany be let off to the extent of two-thirds of the proceeds of the Dawes Plan, the last third to apply as partial compensation for the destruction wrought by Germany in the war. America could say: 'This renunciation we make for economic normality and for peace. Let no nation seek to defeat these ends.' And no nation would.'

"One is told that France is prosperous and lightly taxed."

"That," exclaimed M. Bunau-Varilla, "is the most cruel lie I ever have met in my private or public life. France, materially, financially, is ruined; morally, France is not ruined, for France, morally, is indestructible. All France's fortunes in a material way must be re-created. Life-savings have been wiped out.

Inheritances are gone. Your middle-class Frenchman, worth \$40,000 yesterday, is worth \$4,000 today. Government bonds. currency, gilt-edged securities, largely evaporated. No taxes? Why, nearly all our wealth has been confiscated by inevitable inflation. Take an income of, say, upward of \$14,000 a year; the first \$14,000 is bled to the limit, and after that the income tax takes ninety per cent. in the case of bachelors and seventyfive per cent, in the case of married men."

"Do you favor the ratification of the Mellon-Bérenger pro-

posals?"

"I favor, as I have said, cancellation of inter-allied debts and the reduction of Germany's obligation under the Dawes Plan to one-third of its present amount. If we must ratify the Mellon-Bérenger proposed settlement, I approve doing so only with the formally-proclaimed declaration that our payments to our creditors will depend upon Germany's payments to us. We can do nothing else with any hope of stability in our finance."

France's Argument on the War Debts

MERICA'S lovalty to her conception of right appears to A be taken for granted by the majority of eminent Frenchmen. Such Frenchmen, in other words, assume that the national motives of the United States are fairly elevated. If America insists upon the payment of war debts, or upon any other policy, her French critics of respectable caliber attribute her action, not to usurious or other ignoble inclinations, but to the conviction that her action is just and wise.

"Those of us who know America best have the most admiration of her and the most confidence in her." This was one of M. Philippe Bunau-Varilla's remarks. "America's idealism is very far from mythical," he continued. "It is as real as are her iron and steel and copper and cotton. And she has another peculiarity of which I always am speaking—the will to do a thing in the right way in scorn of cost."

"For instance?"

"Well. I could name a score of historical instances, but one will illustrate perfectly and adequately what I mean. There were two ways of joining the Atlantic and Pacific oceans at the middle of the Americas—the Nicaragua way and the Panama way. The Nicaragua way was the easier. It was vastly the easier. The Panama way was difficult. It was costly. Only great audacity and courage would face it, but the moment America was convinced that it was the right way she did not hesitate"

"She went through."

"She went through and added a splendid dash of luster to

Bunau-Varilla sat for some moments reminiscently smiling. He went on, then, to the effect that, in all her international relations and obligations. America would act in like manner would do the thing she considered right, regardless of difficulties and of cost.

This mental attitude I found universal among the distinguished Frenchmen I saw during the present year. Anti-American propaganda—of which, of course, there has been much in some European newspapers—had not affected these observers in the slightest perceptible degree. There was no doubt in their minds that inter-allied war debts should be canceled, and they frankly said so. But they did not abuse America or Great

Britain for holding another view.

"It is of the highest importance," said Senator Raphael Georges Levy, member of the Academy of Political Science and an economist with a great reputation, "that nations should try to grasp and to respect one another's motives. Levity in the attribution of low motives to peoples is as foolish as it is mischievous. Great peoples cherish great motives. It is their greatness in the sphere of ethics which makes them great in the sphere of affairs. France must honor American sentiment and opinion, and America must honor the emotion and thought of France."

What is the main consideration which makes Frenchmen feel and contend that America should cancel the debts owing to her by her associates in the war against militarist autocracy? This consideration may be put thus: Frenchmen affirm that when America declared war upon Germany, America was not able to defend herself against the country upon which she had declared war, and that French soldiers, together with the fighting men of Britain, Belgium, Italy, and the other allies, formed a living wall for America's protection until America was ready to fight.

This defensive service, Frenchmen point out, covered fourfifths of the period of war between America and Germany. During these months of America's military unpreparedness, proceeds the French argument, America fought only with her wealth-not with the flower of her young manhood, as her associates fought. These associates fought with both their wealth and their men. They can get neither back. They do not think America, relatively so fortunate in her loss of men, should demand the return of her money, particularly since it must come, if it come at all, from war-impoverished peoples to a people which, if it was not enriched, certainly was not

impoverished, by the war.

"It does not look right, from the European point of view," said Senator Levy, "and I am afraid it never will. Doubtful in morals, the American position, as we view it, is deplorable in economics. If it be maintained, I do not see how America can regain her popularity in Europe—not an inconsiderable practical asset to her—nor do I see how a long train of bad economic consequences can be avoided. If America must collect some money from Europe, I would suggest that she collect it from Germany and let the allies off. Such an act, I think, seen in the light of future years, is so valuable to America as to make the debts due her, large as they are, seem insignificant."

"Would France be forgiving to Germany if England and the

United States were forgiving to France?"

"Relieved of our debts to England and the United States, we should be ready, I have no doubt, to reconsider the terms of the German payments. Especially should we be ready, I think, to agree to substantial reductions of the remoter annuities. Our burdens are so heavy at present that I fear we could not accept a proposal for the entire abrogation of the Dawes Plan. We look prosperous, I know, but we are not. We are economically and financially ill. Inflation temporarily promoted exports, but it destroyed capital, and what can a nation do without capital?

"Abroad, I hear, we Frenchmen are said to pay no taxes. We are very heavily taxed. Our income tax runs from sixty per cent. upward. It has reached the limit of possible yield. Only indirect taxation has been increased in recent months, for all knowing people realized that direct taxation could be increased effectively no more. Seeing our budget finally in equilibrium, and remembering our terrible losses in men, capital, and physical property, who can doubt that we must have been

taxed unmercifully?"

"Is the general position improving?"

"Yes. Nothing in Europe is quite so bad as it was. British troubles scarcely can overmatch British skill and tenacity; the backbone of that nation is its financial solidity and strength. Poincaré's administration is morally and materially advantage-

ous to France; French holders of foreign currencies and securities are reassured, with substantial benefits to us. There is some political uneasiness, but the chief political factors promise well. Our exports and imports are not discouraging, on the balance. Our great losses on currency and on government and private bonds—losses of from forty to fifty per cent.,—will be made good in some part by an appreciation of the franc. Our farms lack labor, but the farmers, especially those tilling small areas and having many children to help them, are not too badly off."

"Did currency depreciation affect the different categories of

the people differently?"

"Oh, yes. It hurt labor least, for labor's wages mounted more steadily with prices. Public officers were in a somewhat similar position, especially the minor ones; the higher officers suffered more, most of them much more. It is the great middle class which has undergone the grinding test. Many dividends disappeared and all dividends sank with the purchasing value of the franc. It has been a debacle."

"Disarmament?"

"That depends entirely upon the good faith of Germany. Disarmament will follow the unmistakable recession of the

revenge spirit across the Rhine."

Senator Levy concluded his remarks by saying that Europe desired the friendliest political and economic relations with America, and had no fear of an American financial "invasion." "Europe will regain her prosperity in time," said he, "and then she can buy from American investors their bonds and shares, and so restore the economic balance."

Jacques Duboin on "Fogs" and "Cliffs"

DEPUTY JACQUES DUBOIN has snappy brown eyes, a snappy manner, and a snappy way of speaking. Energy, decision, and conviction seem to spring from him palpably. Entering his office in the morning, he bustles about briskly, hanging up his coat and hat, pushing chairs hither and thither, tidying his desk, sitting down with a bump, and coming instantly to grips with business. He is in the best days of his life, pink with health, serious and thoughtful, yet optimistic. Economics and finance are his specialty, and he is distinguished in both.

This questionnaire I laid before him:

"Do you think the Dawes Plan will run its allotted course?"

"No. Its annuities will rise rapidly to figures out of all proportion to Germany's capacity to pay. Reparations in kind will cease for two reasons. First, they will create increasing difficulties for the creditor who receives them; they will paralyze this creditor's economic development. Secondly, the debtor cannot furnish such goods over a long period of time without receiving anything in exchange; very shortly, indeed, he no longer will be able to import the indispensable raw materials.

"As for payments in currency, a debtor can transfer in gold only the surplus credit of his payment balance. And, at the time of her greatest industrial power, at the time when she was at the summit of her economic expansion, Germany's ability to transfer gold abroad scarcely reached the sum of 800,000,000 marks. It is quite beyond the power of a defeated Germany to transfer like amounts annually. But the Dawes Plan exacts from her transfers of far higher sums. How absurd all this is will be as clear to mankind in a few years as the first ignorant calculations of Germany's ability to pay are clear to us now."

"Would France forego the plan as the price of expungement of all war debts?"

"Assuredly. Perhaps not in the present state of public opinion, but certainly before long."

"How do you explain France's apparent prosperity?"

"Inflation explains it all. Our prosperity is fictitious, just as Germany's transient inflational prosperity was fictitious. Ask any informed German about it. On the instant that France returns to the gold standard, her whole national economic position will shrink to its real proportions, and then everyone will see that her war-impoverishment has undergone no improvement since the armistice. You know, when fogs gather about cliffs, one forgets that the cliffs are hard. There are in France some awfully hard economic cliffs behind our prevailing fogs."

"What caused all this inflation?"

"War caused it. Invasion and destruction caused it. Our factories and farms were stricken, our production ceased, our men were in the field, we were bleeding at every pore. France broke up her money on August 4, 1914, and ever since then we have been living under a regime of paper money—irredeemable money made legal tender by law, as you made it in the United States during your civil war period—and we can hope for

economic health only when we get back to the gold standard. We shall get back as soon as we can, as the United States got back as soon as it could."

"You have some 3,000,000 foreign workers in France?"

"Yes—perhaps slightly less—drawn in by inflation and by our shortage of men due to slaughter in battle. But, when the rub of stabilization comes, these foreigners only will make our situation more difficult. There will be a serious crisis, but anything possible is better than inflation."

"Taxation?"

M. Duboin shrugged his shoulders and lifted his hands.

"Direct taxation has run the gamut. Indirect taxes are increased continually, for they are the only ones, in this time of monetary instability, which yield more or less certain proceeds. The notion that France is lightly taxed, or somehow dodges taxation, is so obviously remote from the truth that one need not trouble to deny it. Does the world not know what losses we have suffered, does it not know what we have done toward rebuilding the crushed and sundered fabric of our material civilization? If it does not, I myself am conscious of no power to make it understand."

"Your middle classes have suffered most?"

"They have been overwhelmed. Monetary depreciation in any country results in the most arbitrary distribution of such wealth as may be available. Labor gets most, the bourgeoisie least. Those blows of fate which pound down money fall stunningly also upon the heads of all intellectuals."

"There are hidden French riches?"

"There are some. Not all these ever will disappear, but the stocks are sinking, because the foreigner takes the benefit of the difference between the inside price and the exchange price of the franc. It was the same in Germany during her inflation. Small quantities of foreign gold or gold-based currency sucked huge quantities of German wealth out of Germany—wealth in the form of the products of labor, unskilled and of the highest skill. This process ate deeply into German riches, as it is eating deeply into French."

"Is there much depth to French bitterness against America over the debt question?"

"France is not bitter against America. That is loose talk. We regret that some Americans—not America—refuse or are unable to see that France cannot pay her enormous debt. This is a fact. It can be camouflaged. It is a cliff over which a fog can be thrown, but the fog will not disintegrate the cliff. I

believe in telling the world frankly that the cliff is there. To transfer riches on a colossal scale from a ruined country to a wealthy country with customs barriers presents a problem that is insoluble."

"Does the rawmaterials situation in the world endanger peace?"

"It certainly does."

"What is the solution of this question?"

"It would take me a long time to give you a comprehensive answer. I will not try to particularize, but will say that, in my judgment, the question can be solved—as, I fancy, can every other question affecting humanity as a whole in the political and economic fields. It all depends upon the intelligence and the right intention of statesmen. Perhaps I should not say 'all,' for some part of the dependence is upon peoples. Statesmen must have the support of peoples. But it is a belief of mine that we have entered a period in the world's history when the great peoples are ready to follow great leaders. If this be so, it ought to be far from possible that raw materials or anything else ever again should lead the nations into war. There are plenty of raw materials to go around. Let statesmanship and popular sanity see to it that they do go around. There is no other way to insure peace."

"Is disarmament practicable?"

"To be sure it is. I desire the simultaneous disarming of all nations."

Concerning the possibility of a European economic counter poise to America, M. Duboin said: "It is time to oppose to the United States of America something other than the disunited states of Europe. Europe must unite or be ruined permanently. The future belongs to the economic grouping of powers—the United States of America, continental Europe, Great Britain and her Dominions and the Russian-Asiatic bloc."

M. Duboin's last words were: "America's great investments in Europe are all to the good. They are stabilizers. They are peacefoci. They bring America concretely into the ambit of world affairs, and withersoever America goes there is a brighter promise of tranquillity and of the blessings of peaceful production."

M. Homberg on "Indulgence" Versus "Equity"

TALL, somewhat bulky, wearing his gray beard fanwise—an earnest man of courage—Octave Homberg, financial delegate for France in the United States from 1915 to 1917, looks like,

and is, a diplomat of the old school. But he is something more. He is, of course, a financier. He is also a highly-successful business man—wealthy. And he is a writer of vigorously advertised books dealing with economics and finance and appealing

strongly to French public opinion.

M. Homberg, requested to give his opinion relative to the Mellon-Bérenger agreement, declared that "to compel France to ratify the agreement without a security clause would be iniquitous." He does not believe, as do many Frenchmen, that ratification of the Mellon-Bérenger accord should precede—he believes it should follow—stabilization of the franc. "Let us stabilize," he recommends, "in order that we may see how we can ratify."

Franco-American friendship M. Homberg presupposes as "indispensable;" all discussion should have the aim to strengthen this friendship. "But," says he, "silence or evasion respecting grave questions between the two countries cannot strengthen their friendship. Mutual understanding is the sure and the only road to good relations between America and France or between

any other two nations. Let us be honest and candid."

"Let us, indeed."

"Your people," said M. Homberg, speaking deliberately, "have been ill informed about the nature of the debts contracted by France for the cause of the allies and their associates in the war. Our people, on the other hand, have known nothing about M. Bérenger's negotiations in Washington. One fine morning we simply were confronted with a fait accompli. We did not like it then, and we do not like it now.

"In the first place, I wish to ask Americans to believe that one cannot exaggerate the depth of French feeling or the firmness of French conviction about the debts. Our tenderest emotions are involved. We never think of the debts without thinking of our dead. Please try to imagine what that means to fathers and mothers, to brothers and sisters, to all the homes of our land. Frenchmen say, 'While American money was flowing for us, French blood—and money, too—were flowing for America. We made a human barrier to shield America while she prepared to fight. Moreover, while American money was flowing for us, it was flowing for America as well, for America was then in the war. Is it right, is it fair, is it defensible, is it not most unjust, that America should demand her money back?'

"It is thus that the French feel and reason. And their inability to understand the American claim—America, mind

you, always has meent to Frenchmen chivalry and generosity—is intensified by their knowledge that they were made extremely poor by the war, and by their belief that America was made extremely rich by it. You may hear Frenchmen anywhere talking something like this: 'America got all the money that was borrowed. It all was spent in America. Her industrial facilities were expanded and improved enormously. She is very rich. Her people are happy. Her human losses in the war, fortunately, were small. Why does she regard the return of her money as desirable, even if it were economically feasible?'

"If the bill be conceded to have undergone a fifty per cent. reduction—and much might be said against this contention—America makes the reduction, not out of equity, but as a matter of indulgence. France bases her whole argument upon considerations of equity. We say it is not just that we should pay. America was no neutral supplier of anything; she was a co-belligerent with us and our allies, and she, like ourselves, gained her great and vital end—that of the integrity of her institutions and the inviolability of her national honor and life.

"So much for the past. Facing the future, France can and will ratify the Mellon-Bérenger agreement, which I for one have denounced unwearyingly, only if it be surrounded by reservations and precautions of which the transfer clause is the most essential. This clause we were constrained to grant to Germany at America's behest—i.e., under the Dawes Plan. Can America, then, consistently deny to us the transfer clause? If transfers from Germany under the Dawes Plan shall threaten the stability of the mark, an American agent has authority to suspend these transfers. Is the franc—the currency of the victor—to have less protection than the mark, the currency of the vanquished? Against such an injustice France would rise in a body."

"Many French economists of distinction," I pointed out, "favor ratification (though they do not welcome it) as a means to stabilization, for which they think almost no price would

be too high."

"I do not agree—I do not agree at all," said M. Homberg, with spirit. "If we stabilize first, we can tell whether or not we are able to ratify. If we ratify without reservations, without safeguards, we are financially in the air; we do not know where we are; our currency, in the midst of such uncertainty, cannot be secure. French opinion is wary of the bait of foreign credits. It fears these credits might be a fly with a dangerous hook inside—a hook that would hold the French people captive for

two generations. M. Caillaux threw such a fly, and France did not rise to it; France ended Caillaux' career as an angler in these waters.

"Italy ratified and is paying both America and England. Is the lira stable? Belgium ratified. Can anyone regard her currency as yet one of assured stability? No; ratification and stabilization are not synonymous terms. Only when we stabilize—when we go boldly back to the gold standard—can we measure our financial situation and, therefore, our ability to pay. France wants no guesswork in this business. She wants no gambling. She wants clarity and sanity and strict honor in national and international finance. She wants to leave nothing whatever to fortuity. Is this attitude, I ask you, discreditable?"

From study of M. Homberg's views, stated with so much courtesy and dignity, I passed to an informal talk with Charles Rist, under-governor of the Bank of France, a man of slight figure, ingratiating air, and acute intelligence. M. Rist is from the land, and still lives in a moderate-sized farm house near Paris, where he recently was host to Mr. Mellon, and where he and the American secretary of the treasury engaged in much serious, and, one may assume, mutually-informing, discussion concerning the economic and financial problems of the world.

M. Rist's impressions and opinions I am not free to report with any particularity. His official responsibilities would not allow him to consent to quotation. But it does not seem out of place to record his deep sense of the desirability, from all points of view, of the non-war-stricken and relatively non-war-stricken parts of humanity endeavoring to appreciate the psychology of those nations which had the horrors of war fire-stenciled indelibly in their souls. Such peoples feel that, if there be a doubt in the great, history-pregnant question of the war debts, the benefit of this doubt should go to those who have suffered so calamitously in their hearts and minds and material fortunes.

That Admirable Economist—M. Jeze

"OF COURSE, you will see Jêze."

It is what everyone says to you in England, when you state (in the company of economists) that you are going to France for exploratory work in the province of industry, trade, and finance.

Who is this man with the peculiar name (pronounced "Yez") which jumps to the lips of economists the moment they think of France?

I found M. Jêze—Gaston Jêze—in a long, roomy, well-furnished study, with windows commanding a beautiful stretch of the Seine, an hour's motor drive from the heart of Paris. So close to M. Jêze's windows does the Seine flow that one can hear the soft music of its swinging flood. It is a typical French village, Juvisy—where the thinker lives—white, dusty in summer, peaceful, with many a walled garden, emerald and blossoming.

M. Jêze sat at his flat-topped desk, books and papers about him, his brown-eyed, pleasant-voiced, smiling daughter opposite. Both spoke excellent English, the daughter the more fluently, the father now and then lifting his eyes to her for the precise word. One was delighted with their rapport; clearly, the young lady lived in the atmosphere, and had continual exercise in the language, of the science to which her father has given his life.

Aged 58, prominent in the law faculty of the University of Paris, an economist by predilection and long training, an international lecturer on legal and economic questions, ardent in his patriotism, yet universal in his appreciation, M. Jêze is one of those nationalists who know the infirmities of nationalism, who do not pander to these infirmities, who are not afraid of chauvinistic passions, and who, much as they may love country,

love truth and justice more.

"Yes, sir," said M. Jêze, reminded that he had opposed fantastic reparation claims against Germany since the end of the war. "I opposed such claims, as every intelligent economist was bound to do. Men of science must strike at ignorance wherever they see it; I was striking at ignorance. What was that ignorance? It was an ignorance loud on every hand, loud in the drawing-room, in the market-place, even in the highest councils of state. One illustrious European premier was talking about 'searching the Germans' pockets'—as if their poor pockets had anything in them!"

M. Jêze's narrow, keen, clean-shaven, somewhat wizened face puckered into a strange smile, and he was silent for a moment, looking now at his daughter, now at myself.

"Ignorance," he repeated. "Conjuring up visions of wealth where there was none. Fancying economic irreconcilabilities and impossibilities. Germany's land and plant were left—yes. But we could not take her land and plant, her farms, her

factories, her railroads. Transferable wealth she had not. Her capital had been burned up, and her credit was gone. There was only one hope—to let her work and save again, and working and saving require, not days or weeks or months, but years."

"And after a nation has worked and saved?"

"Ah, even then the problem of transferring wealth across frontiers is a difficult problem. Within relatively narrow limits, it can be done. Where it is done, it is done by virtue of productive investment; money, in other words, is used, through the instrumentalities of industry and commerce, to make more money, some part of which is transferable. Fundamentally, however, trade is barter. Money—even gold money—is only a token. One nation buys from another, or pays another, not with its currency, but with its raw materials, manufactures, and services of various kinds. It is the fatal defect of the war debts, considered as subjects of repayment, that they left behind them no productive means, no wealth-creating plant, by which they might be paid."

"You would erase all war debts, including German repara-

tions to France?"

"Yes, sir."

"That would be, in your opinion, economically advantageous

to evervone?"

"Economically and politically advantageous to everyone. It would be beneficent. It would be a superb act of wisdom. It would be worthy of the noblest motives and deeds of the war. Whatever disturbs the economic well-being of the world disturbs its peace; and the economic well-being of the world never can escape the disturbance of these abnormal and sterile debts while they last. All-around war-debt cancellation would demonstrate a political sagacity and competence greater than we ever yet have seen in the international domain."

"You hold that it is economically impossible for France to

pay her war debt to America?"

"I do. If we could pay at all, we could pay only in goods or services—just as America gave us only goods or services—and America wants neither. Quite naturally, just as far as possible, America wants to use her own raw materials and employ her own labor, not ours. America, as a nation, I make bold to state, has everything to gain and nothing to lose, in the long run, by a cancellation of every dollar due her from her late comrades-in-arms."

"What will become of the Dawes Plan?"

"Theoretically, it is executable, for it contains a transfer clause and a transfer clause suspensible in the event of the outgo of German goods under the clause threatening the gold value of the mark. In the Mellon-Bérenger agreement, of course, there is no such clause; neither is there any clause giving relief to France correspondent with a contingent reduction in or failure of German payments under the Dawes Plan. Theoretically, I say, this plan is executable. Practically, in my view, it is not. It ultimately will force upon us goods we do not want and cannot assimilate, while progressively impoverishing Germany, who gets nothing in return in respect of the raw materials she uses up in supplying goods to us. The Dawes Plan, as I see it, belongs to the impossible and impermanent economic heritages of the war."

With reference to France's debt to America, M. Jêze, like the vast majority, if not all, of his economic confreres and of his compatriots, feels that its payment is not only impossible, in existing circumstances, but contrary to justice. They do not regard it as a moral debt, and reiterate that "all the money borrowed was spent in America and the American government

got its taxation upon that money."

Of inflation in France M. Jêze speaks only to deplore it.

"We can try a better way now," said he, "but the damage is done. It is too late. There has been a vast and irreparable loss of capital. Inflation is so easy, so alluring—and so destructive. To speak of an evaporation of our wealth, as represented by currency, government bonds, and other securities, as a 'menace' is grimly amusing. It is not a menace, but an actuality—not something possibly to come, but something already here, adding an additional weight to the minds and bodies of France, as if they had not borne enough since 1914, to go no farther back."

"What do you think of disarmament?"

"I believe in it absolutely, and I think France should disarm first. It would give us the greatest of all guaranties—an impregnable moral guaranty."

"Do you foresee any trade or military combination hostile to

America?"

"Chimerical."

"Is there danger in the raw materials situation in the world?"

"Great danger, I fear. Only statesmanship of the first order can neutralize that danger."

"Do you think England can conquer her present difficulties?"

"I do. If I did not, I should feel very sorry for the world, for a political and social disaster in England would be a staggering blow to free civilization." "Are you disquieted by the swelling stream of American

investments in Europe?"

"No. America is the economic and financial mountain now, Europe the valleys. Capitalistic rain falling upon the mountain must flow into the valleys. If it did not, the valleys would

parch."

I left M. Jêze playing with his wolf-hound in his green and flowery garden. His face almost had ceased to reflect the anxieties and burdens of France. His daughter stood smiling at him. They were to be off the next day for a walking tour in the Pyrenees.

Jacques Seydoux on World Economics

JACQUES SEYDOUX, aged 56, political economist and minister plenipotentiary, is one of the most gifted and most admired men in French public life. He is to be found, by fortunate visitors, at the Quai d'Orsay, where he presides with almost inimitable charm as under-director at the ministry of foreign affairs.

M. Seydoux, when somewhat younger than he is now, was a captivating and active figure in the fashionable life of Paris—one of the best dancers, it is said, that the gay city ever saw. In these days, he rarely is seen in places of social elegance and

jollity; he dances no more.

Whoever observes M. Seydoux is likely to remember him long after most mental records have faded. His lean, brilliant face will be remembered. His eyes—bright-gray, piercing, sincere, beautiful—will be remembered. His quiet force, his self-command, his unobtrusive courtesy, his intentness to understand every word spoken to him, will leave an impression that will want a lot of washing out.

Rheumatism put an end to M. Seydoux's dancing sooner than might have been, though preoccupation hardly could have failed to end it early. The man's body seems to be held as in a vise. I did not know of this affliction. Admitted to the diplomat's room, I was surprised that he did not rise from his desk. Only his head moved—and this slowly—in my direction.

His remarkable eyes smiled in cordial welcome, his head moved back until he was looking straight before him, he lifted his right hand slightly toward a chair, and I sat down. It was like a scene in a play. Bodily, M. Seydoux, one greatly fears, never will be brisk again. Mentally, however, all who know him agree that he never was more vigorous, never clearer, than now—never before, indeed, quite so discerning and capable as he is today. Statesmen and economists of the first rank prize his companionship, confidence, counsel, wisdom. It is doubtful whether any man knows European politics and economics better than does this striking personality at the Quai d'Orsay. When Secretary Mellon, then at Evian, desired reliable information from Paris, he sent his son-in-law, Parker Gilbert, agent general for reparations, to talk with Jacques Seydoux.

"You are just from England?" inquired M. Seydoux.

I said I was.

"How did you find things there?"

"Bad; but the spirit of the nation is good."

"I am sure the spirit of the nation is good," said M. Seydoux leveling his eyes upon mine. "Anything resembling a political and social collapse in England would be the greatest disaster that could befall civilization. Its consequences could not be calculated. It will not occur. Great Britain, like most European countries, faces great difficulties, but she is a great nation, a marvelous nation—invincible, I think. British industry is ill organized, uses old methods—especially in the mining industry —and contends with excessive wage demands. The return to the gold standard required enormous taxation. The public debt is terrible. The national budget is quadrupled. Why does not America blot out that war debt against England, and so help all of us—not least herself? But the British will win through. There is not the slightest doubt about it. It is a certainty not objectively visible just now, but safely presumable as imbedded in British morale."

"Do the troubles of Great Britain affect France?"

"Directly and indirectly. World trade, as many people at last are coming to see, is woven in one piece. Harm to any part of the piece is harm to the piece. Britons buy our goods—when they have money. Industrially and commercially, that is to say, our relationship is one of mutual profit. America, of course, as she will realize more and more with the increase or decrease of burdens falling upon Europe or any other area within her trade orbit, is in a similar position. World prosperity shores up the prosperity of American plantations, farms, forest lands, mines, mills and foundries, workshops, factories, banks, and every related constituent of the nation's life. Colossal war debts—the debts of no productive process and consequently no yield

of wealth in any form—must diminish world prosperity and, pari passu, the prosperity of the United States. If these debts ever were paid, they could be paid only in goods, and such an influx of materials and manufactures into the United States would cause serious industrial depression and unemployment there. If I were an American, I should say to my government, 'Take over these economically barren debts, in order that their weight may be nationally distributed, to the good of world industry, with its growingly vital function relative to our own'."

"What of the Dawes Plan?"

"It is provisional. The experts have not set the number of annuities to be paid by Germany. This means, unless the plan were modified one day, that Germany would be forced to pay 2,500,000,000 gold marks (about \$600,000,000) per year indefinitely. It was stated by the experts that their plan could serve as the basis of a settlement of all international obligations. Obviously, the Germans must pay as long as the allies are compelled to pay the United States. War debts and reparation debts should fall equivalently, whereas, as the Dawes Plan now operates, while the French debt is reduced by one-half, the German debt is reduced by more than two-thirds. So long as America shall persist in her present policy respecting war debts, she must expect that the debtors will seek admission to the United States, not only for their goods, but for their emigrants in search of a livelihood and of an opportunity to export from the United States money needed by their hungry kin at home. What the war has done," added M. Seydoux, with deepened gravity, "is to upset the balance of the world. I would beg the American people and their government to ask themselves what they can do to restore this balance, appreciating that its restoration is a sine qua non of those tolerable conditions of life which alone hold out any substantial hope of permanent peace."

"What should you say of French feeling toward America

today?"

"It is a mingled feeling. There is gratitude in it. There is respect in it. There is admiration in it. Franco-American historical strings vibrate in unison. But France is puzzled over America—over her abrupt withdrawal from our soil, and from Europe, after a magnificent effort; over the non-ratification of the peace treaty; over the rejection of the Franco-Anglo-American pact for which we waived our claim to the military frontier on the Rhine; over the doctrinal apostasy from the league of nations; over the requirement, in imperative tone, that

we pay heavy debts without waiting for German aid in rebuilding our ruined provinces, and while we yet were crippled cruelly in a financial way by doing this work ourselves. France, I say, is puzzled over these things. Their total effect is a great disillusionment, which will depart only when the American people approach nearer to unanimity in their tenderness toward the sentiments of a people which has suffered so bitterly in a war that, as the French think of it, was fought for the common interests and liberties of mankind, not excluding the people of that nation which sought to wound France mortally."

Seydoux Continues His Observations

"LET no one suppose that France's post-war problems will do to France what Germany tried to do to her—namely, overwhelm her," said Jacques Seydoux, under-director at the ministry of foreign affairs, Paris, continuing the conversation partially reported in the preceding chapter. "History pretty well establishes the postulate, I think, that France is unconquerable."

"Observers generally remark upon what strikes them as great

prosperity in France."

"Yes. Usually, only one reason is assigned for our apparent prosperity, but there are two—inflation, which is momentary, and the quality of the French worker, which is permanent. Inflation, for a time, augments exports, thus stimulating business from the land up. But inflation is costly, and ultimately its full price must be paid. French sobriety, thrift, and efficiency, however, are unfailing factors of stability and prosperity in France."

"Will stabilization, when it comes, cause a serious crisis?" "It will cause a crisis. How serious the crisis will be one cannot foresee. But I expect no sensational, no grave, no prolonged, sequel of maladjustment. French agriculture and industry have been modernized entirely since the war. Our economic position, therefore, is strong. Basically, we should be affected but slightly by the forthcoming return to the gold standard. Of course, exports will be reduced—temporarily, at all events—and this contraction will have its natural radiant effects, of which one will be unemployment. But we have in France 3,000,000 foreign workers, drawn to us by our economic needs. As these needs—needs of the farm, the factory, the mine

—diminish, our immigrant workers will tend to go home, and so we shall escape the extensive unemployment suffered by countries like Austria, Germany, and England."

"You will not stabilize precipitately?"

"Under Poincaré, we shall do nothing precipitately. If the Scotch proverb, 'Haste makes waste, waste makes want,' is true generally, it is true particularly in a case of attempted escape from the almost countless evils, actual and imminent, of inflation. When the franc, for example, is going down, capital is vanishing and holders of French ready money or its equivalent are distressed and alarmed. When the franc, on the other hand, is going up—especially if it goes up too rapidly—holders of French securities dependent upon industrial prosperity are likely to cry out or rush to sell; they fear the partial or total loss of their dividends. Hence, once your money has soared away from the gold standard, you must use caution in bringing it back to that basis, lest you plunge your industry and finance into chaos.

"France, please note, did not inflate wantonly. It no more could avoid inflation than it could avoid invasion. Our most productive provinces were laid waste; they presented, when the invader was forced out, a spectacle of desolation unparalleled in the history of the world. This blow was what sent the franc reeling, so to speak. We were compelled to rebuild at our own expense. Just as America claims for debts contracted by foreign countries, so France claimed for damages caused by the enemy; but, when the Dawes payments started (in September, 1924) France had received reparation payments to the extent of only about 100,000,000 marks (some \$25,000,000). or the veriest bagatelle. Inflation, in these circumstances, was salvation, for our roads, bridges, farms, and mines had to be restored, and our factories, cities, and villages rebuilded, in order that our dispossessed and shelterless people might labor and live. We would urge the world never to forget these agonizing chapters in the war and post-war history of France."

"How much of the work of reconstruction had been done

when the Dawes payments started?"

"Eighty per cent. Six years had elapsed since the armistice, and we had received only \$25,000,000. Contrast that with what France did some two generations before. Three years after we were invaded on that occasion, we had discharged completely the debt of \$1,000,000,000 militarily imposed upon us by Germany, and this imposition represented merely military expenses, since Germany had not been invaded and had suffered no damage on her own soil."

"How much do you reckon that the wealth of France has been reduced by the war?"

"Bérenger showed accurately in Washington that a typical French fortune consisting of the best French securities had shrunk more than eighty-two per cent. Tradespeople, manufacturers, and those who had invested their wealth in foreign securities appear at present to have escaped this loss. It is only appearance. Whenever the currency is brought back to the gold basis, it will be seen that the whole country has sustained a diminution in wealth. To measure this diminution is difficult, but we know that it will be not less than fifty per cent., of our pre-war wealth. One full generation, with peace and a good government, will be necessary to restore French wealth to its former level. Our hope is rooted in the fact that our population, on various occasions, has been similarly, though not so terribly, stricken and invariably has re-made its fortunes through its efficient work and its rigid thrift."

"Your expatriated money will come back?"

"It will come back as soon as we stabilize on gold. The flight of capital is the greatest danger besetting a country in financial trouble. Our currency resting steadily upon gold, we shall see happening here the same thing which happened in Germany after stabilization there: our exiled capital will return of its own motion, and the Bank of France will be overloaded with foreign currency, as the Reichsbank in Berlin is overloaded today."

"Your financial situation is in the way of permanent improvement?"

"It is. Only political oscillation could check this improvement. Given political stability at home and peace abroad—assured, as we are, that the Poincaré government will push resolutely along the track it has traced so far—all will go well with the franc and, in the end, with French prosperity."

"Shall you seek a foreign loan?"

"No one can tell now. The Poincaré government has increased taxes and balanced the budget, prepared the writing off of the floating debt, and effected large administrative economies. Only when all these measures begin to give calculable results can we tell whether foreign credit will or will not be necessary. Financial reconstruction, after the hurricane of the world war, cannot be accomplished in a day. We shall work back to the gold standard through much thought and step by step. Great issues are involved for us, moral no less than material. Patience at home and forbearance abroad are all we require."

Touching raw materials and tariffs, M. Seydoux pleads for the utmost practicable freedom, declaring that an effort by any nation to deny other nations access to an indispensable raw material "obviously would cause an outbreak of war," and that serious fiscal interferences with the commercial exchanges of the nations always must be expected to engender bitterness. Disarmament M. Seydoux can see only as progressing slowly, though, he hopes, surely. It depends, in his view, upon the growth of international confidence—upon the waning of international fear—and he profoundly is convinced that the United States, while integrally safeguarding its independence, could quicken such confidence and aid in allaying such fear by identifying itself formally and whole-heartedly with the League of Nations. Economically, M. Seydoux favors a single European group working in agreement with America. His general economic philosophy and faith fall completely within the axi5m that the interests of the world are one.

Thoughts on Leaving France

Taking leave of France, after sounding the best-informed and least introversive minds, one hardly can fail to carry away, as the essential result of one's questioning and thought, a profound sense of the sufferings of the French people, of their economic and financial difficulties (notwithstanding a skin-deep glow of prosperity), of their vast and brilliant post-war reconstructive work, of the high-grade thinking of their economists, and of the ardent national desire for a peaceful and honorable issue from all the country's perplexities, domestic and foreign.

Any real understanding of the general French point of view is out of the question unless the student take account of the sufferings of the French people in the war. These sufferings quicken and color the whole of French sentiment and thought. It is the French conviction that France suffered, not for herself alone, but for all the peoples who were in fither military or merely moral array against the Hohenzollern idea and the mighty machine which strove to effectuate this idea.

France asks its allies and associates in the war not to forget these sufferings, and not to deny them substantiality in any question affecting the position or duty of France relative to post-war controversies or problems. "Remember our torn land and our torn hearts," says the typical French spokesman, "and remember that every rent saved others from similar punishment." It is this state of mind which offers the key to the

general post-war standpoint of France.

To a greater or less extent, the same thing is true of all the allies. Their feelings are bruised and tender. None of them likes to talk about the matter too much, some of them not at all. But the sensitiveness, always there, is one of the great realities of Europe. Consider the case of a certain well-known English father who had four sons killed in the war. (There were scores of thousands of English, as of French, Italian and other European, fathers who had several sons so killed.) This man was sturdy in body, morale, and mind. His first son killed, he grieved, but was soon himself again. His second son killed, he grieved more and recovered less quickly. His third son killed, he became a recluse, silent and haggard. His fourth son killed, he walked abroad and gibbered in the streets.

Of the psychology thus illustrated all who would know or be just to England, France, Italy, or any other of the allied powers must take due note. Peoples bereaved as these peoples have been cannot look at war or post-war subjects non-sentimentally. To them no monetary sacrifice appears of great moment, and they are incapable of resisting repulsion at the thought of the debts incurred in the common defense, and to establish the common victory, seeming to anyone to be assignable, with any semblance of human emotion or of equity, to the category of commercial debts, to be collected upon the principle of "capac-

ity to pay," or upon any other principle.

American statesmen, rightly or wrongly, have won no respect in Europe, either among the allies or among our late enemies, by their recourse in the matter of the war debts to the principle of "capacity to pay," or "charging what the traffic will bear." In the first place, this principle, to the war-wounded sense of Europeans, has an offensively commercial connotation. In the second place, it is regarded as a shaky principle upon which to found a settlement lasting over two generations. Who, ask Europeans, really can measure a nation's capacity to pay in this very year of 1927, let alone 1940 or 1960 or 1980? That this query is not without pertinence shows in the fact of the complete change reconstructively of the economic and financial outlook of Germany, for example, within the past twelvemonth.

As to the "skin-deep glow of prosperity" in France, Frenchmen are not alone in calling the glow only skin-deep. Experts of every nationality, and particularly American experts in France, so far as I have talked with them, agree upon the point.

They agree that inflation—forced upon France by the tempestuous and appalling burdens of the war and its after-effects—first lifts up a nation economically and then drops it flat and hard. Capital, in other words—capital, the life-current of all industry and all trade—slowly but surely dries up, leaving the

machinery of production and distribution in deadlock.

This threatened economic paralysis is France's supreme danger and problem at present. Poincaré is fighting for capital. He is fighting the great battle of thrift, of economy, in France, as Mussolini is fighting it in Italy, and as the Reich is fighting it in Germany. Poincaré desires, not only to end inflation, but so far as possible to repair the ravages, material and moral (and the moral ravages of inflation are perhaps the worst of its evils) which already have eroded, more or less deeply, wide areas of French life. The great premier, by a judicious appreciation of the franc, and by powerfully supporting processes of capital-renewal through labor and saving, hopes to put his country back upon the gold standard, with either no resort, or the smallest practicable resort, to foreign credit.

Poincaré, in this struggle, is a dramatic figure—a true Gaul, yet dour as any Scot. He reminds one of a stout skipper in a nor'wester, his hands firmly upon the wheel, his lips tight, his

eyes never shifting from the sea.

Words almost fail those who would express their astonishment at, and their admiration of, France's gigantic repair job in her ten north-eastern provinces, where the blast of invasion destroyed everything before it. Farms, roads, and bridges have been restored. Cities and villages are up again and throbbing with energy. In the Lens coal region, on Armistice Day an indescribable ruin, science and resolution have erected an industrial marvel. Lens, at the outbreak of the war, was antiquated, smoky, ugly; today it is modern, smokeless, touched with beauty, completely electrified. Collieries are lighted and run by electricity. Every miner's cottage has electric light. Electric lights illumine the towns and villages and even the rural areas between. In her large power-stations France is bidding for release from the necessity of buying foreign coal. and she has achieved at Lens what technicians pronounce a feat unparalleled in the history of coal mining.

And inflation wrought this marvel? It did. Yet inflation is a bad thing? French economists will tell you—and the ablest French economists probably have no superiors—that not a paper franc spent at Lens or elsewhere in French reconstruction can cost France less than a franc in gold. Inflation, that is to

say, is a kind of mortgage upon the future. It is a kind of national loan. Its essential creation is that of a debt which finally must be paid. In these economic things, the economists assure one, there is no successful hocus-pocus. It is an inexorable case of gold for gold.

Militarism and imperialism often have been attributed to France, and especially to the short, rough-bearded, strong-willed man now in first place at the Quai d'Orsay—Poincaré. Some have suspected French politicans of motives not too noble in respect of France's foreign borrowings for the war. I should call France as free as is any nation in the world of militaristic or imperialistic ambitions, and should say her opposition to the repayment of the British and American war debts arises solely from her reasoned judgment that they lack all moral compulsion, that they are economically impracticable, and that their indefinite continuance will militate against the political and social harmony of nations.

Fascismo Arrives Thinking

IMMEDIATELY on entering Italy, whatever one's social contiguities may chance to be, one gets an impression of force of character, liveliness of temperament, and energy of mind. Postwar Italy, throughout the body politic, strikes the visitor as strangely alert, self-trustful, ambitious, and constructive—a people somewhat excitable by nature, no doubt, but a people cohesive, orderly, and keenly diligent.

Unmethodical conduct vanished from Italy at the advent of fascismo. Fascismo, though it arrived picturesquely, arrived thinking. It also arrived under the influence of deep feeling. It felt that things had not been going right in Italy. It loved Italy, but it did not love Italian politics or politicians. It was

burning with the passion of reform.

"This country," reasoned fascismo, "never can be what it ought to be—never can be as great or happy as it ought to be—with Rome what it is. Rome is indifferent, thoughtless, corrupt, unworthy of Italy, bad in itself, and a source of progressive national weakness. Italy's position in the world is difficult. Her people, hard pressed to live, are numerous and multiplying. Only the highest intelligence and the utmost patriotic devotion in Rome can avert ignominy and disaster."

This was fascismo's point of view, and whoever would understand the doctrine—understand its intensity and its scorn of toil and danger—must assimilate this point of view. It affects the whole of Italian life. Fascists, from Mussolini down, regard themselves as patriots. Idealism possesses them. They do not care how many proverbial concepts, how many maxims or slogans, of government, go by the board, if Italy only can have the leaders and the methods it needs to make it internally sound, and to give it that position externally which fascismo believes its power and population demand.

Rhetoric, and especially rhetoric of the polychromatic sort, was what a good many observers associated mainly with fascismo and its principal exponent at the start. But facts were not long in proving that fascismo and Mussolini were something more than a kind of political aurora borealis. It was seen that they had ideas, plans, driving power. It was seen that Italy liked them—adored them, apparently. It was seen that they had a new quality of courage—an incredible quality of courage to be found in politics and politicians. Mussolini scarcely touched the saddle at Rome until European statesmen such as the late Lord Curzon began to speak of Italy's "new force" and its "strong man."

How vividly fascismo foresaw its problem, and how much thinking it had done before its black-shirted hosts, led by Mussolini, marched on Rome (1922), can be realized only by observing the promptness and the thoroughness of its action from the moment of its official triumph. It knew Italy. It had detailed and comprehensive knowledge of the Italian people, of the conditions under which they lived, of what was necessary to their economic and social equilibrium, and of the lines of diplomacy Rome must pursue in regulating Italy's relations with her European and Asiatic neighbors. Science, in a word, was fascismo's inspiration and guide.

Disorganization was its heritage. Italy was politically, socially, and economically disorganized. Its government was drifting and ineffectual, its society aimless and discordant, its agriculture, industry, commerce, and finance without the high development indispensable to even a tolerable national standard of living. Italy was on short rations—dangerously poor. She was eating and drinking less, wearing shabbier clothing, and putting up with humbler home conditions than was any comparable people in Europe. And yet she had made heavy sacrifices in the war—more than half a million dead and some billions of treasure—and was the first power in the Mediterranean.

Famine in Italy was by no means sheerly spectral when Mussolini first surveyed his country from his official vantage-

point in Rome. It was unmistakable, indeed, that political ineptitude, social indiscipline, agricultural backwardness, and general economic and financial chaos were moving unerringly toward famine. How low was Italy's standard of living had dramatic illustration when the Dawes Committee met to wrestle with the reparations problem. The question was: "What shall be the subsistence basis for Germany while she works, saves, and pays?" In other form: "What is the least Germany can do with, productively, without starving?"

Great Britain put forward her subsistence-basis figures, and the Italian members of the committee instantly exclaimed, "These figures are too high!" Whereupon the American members evinced astonishment. To them Great Britain's figures seemed impossibly low. "Very well," said the British to the Americans, "you bring forward your figures. Let the committee know what you consider necessary to get payments from Germany, while keeping the Germans from starvation." America's representatives submitted their figures, and the Italians at once showed that the computation far exceeded the entire normal national income of Italy!

So one can get some insight into Mussolini's mind when he poured forth his seeming utter disdain of the "ideologies." However beautiful they might be, they would not serve him. He had no use for rainbows. He admired them; probably no man living could see in them more loveliness than could he. But Italy had swamps to drain and roads to build and industries to create and re-create and expand. Italy had markets to gain. Italy had a fallen lira to lift up. Italy had to call back expatriated Italian wealth and lure the wealth of other nations within her borders. Italy had to rebuild herself from the ground up. Italy was too busy to spend time in contemplation of rainbows.

Fascismo's initial concern at Rome was to restore order in the country. Social fissures were widening. Bolshevism was undermining Italian civilization. Political strikes grew in number and seriousness. One industrial disturbance followed another from 1919 to 1922, no less than 68,000,000 working days being lost in Italy during these four years. Mussolini and his advisers took the ground that strikes must come to an end or Italy would come to an end. So effectively did the head of the State inveigh against this evil—this "civil treason"—that, some time before any law could be passed on the subject, public opinion had terminated the strike peril throughout the country.

Constructive economics and finance then became the settled preoccupations of fascismo. If Mussolini rejected the parliamentarism of England and the republicanism of America—as he abruptly and radically did—he developed no cleavage with these great democracies in the spheres of economics and finance. His economics and finance, that is to say, though he places them in a different relation to the State—gives the State more control over them—rest really upon the classic principles of industry and banking passed down from Venice to Florence and from Florence to the western world. In other words, fascistic Italy, on the one hand, and democratic England and America, on the other, continue to speak virtually the same language economically and financially.

London's lineal financial descent from the banking centers of Italy may be inferred from the name of the leading banking street of the British metropolis—Lombard street. In the mint still existing in Venice was coined the money which, some six or seven centuries ago, was circulated in England. Mussolini's national financial structure, and his economic structure as well, stand upon a wide and drastically tested historical experience.

Bases of Italy's New Effort

SCRUTINIZING Europe and America at the end of the great war, Italy's new regime—that of Mussolini—uttered some such soliloquy as this: "There has been a typhoon. It has been a bad one. It has changed the landscape of the world—shaken most things and destroyed many. But it has left some things as they were. It has not changed the ethical eternalities, and it has not changed the historical principles of sound economy and sound finance."

Upon this conclusion, if we are to believe Mussolini and his ablest lieutenants, fascismo has been and is endeavoring to build the Italy of a perfected risorgimento. "We accept the golden rule," says Mussolini; "we see no reason why diplomacy should shy at it." And, in the regions of economics and finance, both Mussolini and his technical counselors not only have accepted the lessons of history, but have worked patiently and prudently to apply them.

Why did fascismo forthwith grasp the strike nettle?

To answer this or any other question concerning Italy requires at least a glance at Italian history and Italian ways of reasoning.

Italy lacked spiritual and intellectual solidarity. Her history had been one of tumult and division. Unifying efforts had not borne their full fruit. The risorgimento was incomplete. Disintegrating influences were peculiarly dangerous in the geographically restored kingdom. It is relatively easy irreparably to split a society which already is cracked.

So much for the historical aspect.

Now, how were the fascist leaders reasoning? In brief, they were reasoning that the soldierizing and the de-soldierizing of men require similar methods—that, as men must be hammered into soldierly efficiency, so they must be hammered back into social and economic efficiency. If a country be threatened by warlike attack, its citizens, willy nilly, must fight. If a country be threatened by social dissension and economic prostration, its citizens, willy nilly, must work.

Such were the history and the reasoning which impelled fas-

cismo to seize the strike nettle in a grip of iron.

Recovery of the "national conscience," of the "inner and deeper unity," of Italy was always before the eyes of the fascists. It led them into the war. It kept them in the war. There was territory to be redeemed—the territory for which the irredentists had been contending since 1878—but the fascists cherished a more appealing purpose and planned a more difficult work. Geographically reunited, Italy would be "made." Then, in the words of Mussolini, would commence in earnest the "making of Italians."

Italians as big as Italy, according to fascismo, did not exist generally. More than six centuries before Mussolini, Dante (he of the *Divine Comedy*) described Italy as "rudderless in a storm." The country was sectionalized out of all possibility of a really national conception. There was no clear idea of one national State. There particularly was no clear idea of one national State which was natively Italian. Italy thought of the State as something superimposed from without, something foreign, something smacking of tyranny. Fascismo set itself the task of giving Italians a purely Italian national government and winning their passionate loyalty to that government.

This was the incomparable asset fascismo hoped and expected to get from the war—a truly national Italian spirit. It was convinced that no such spirit could develop under de-centralization in a country like Italy, for Italy's distinct shades of popular opinion are geographically segregated, and de-centralization in such circumstances would have meant the old evils of sectionalism—a sort of warfare of States' rights—with its fatal effects

upon Italy's ability to bold her own with the great European

powers and to win a place are between the to some

Idealists particles with a vision, then pordoving great and more or less remote things the tastics vet were as har as possible from visionaries. They were pragmatists. They were stientists. They had use for only such tiens as they believed to be convertible into achievements toward a greater litaly. And what, to them, did "a greater litaly" mean. It means, they will tell you, a more prospercies and a happer litaly, and an litaly internationally more powerful and tieve useful. Overcrowing troubled them—the overcrowing of their narrow points allowing so that its more than 40,000,000 reopie, and its annual population increase of just on half a military. This overcrowing and increasing growth, in an area which, if twee the size of limits is two-thirds annualisable, not only had their place among the dist concerns of tastismo, but today give rise to one or the gravest diplomatic questions in the work.

Great, surely, were the problems stretching before these highly-exhibitated, grand-within sharply-distrained marchers on Rome; and great were the vigor and the method with which these problems were attacked. Foliated skill economic knowledge, and significant financial devicently were the equipment needed, and all these appear to have been communiced to a remarkable degree by Mussolim and his associates. National and local administration became effective with singular rapidity. Farming areas were enlarged, hydro-electric power was developed, industry was expanded and diversified, transportation was improved and great energy and prodence were thrown into

the task of gradual financial stabilization

Plastismo saw at once that Italy's basic problem as in all other countries is economic. Only by the mangamation of sound and rigid economic measures could the fastistic regime, or any convervable government in Italy, ending, for Italy immemorially, because of its limited resources and its immerious population, has been a land where nothing but rigid economy could avert hunger. Gold-standard finance was a assistic objective from the start, but Mussellin's industrialists and financiers understood that, once the gold standard were less return to it could be accompilished where your step by step.

Drustic deduction was avoided lest Italian mousery be named. Italy's relative powerty told here again. Four countries cannot recover from the losses and discontions of wir as specify as can not countries. Monetary reductation has its inexorable economic cost, and, as the lastists have pointed out,

this cost, in the case of rich countries, cuts into the margin of wealth, whereas, in the case of poor countries, it cuts into the margin of necessities. Italy could recover financially—could move toward the gold standard, or, at least, a gold exchange standard—only as her economic revival buoyed up the lira.

And all the time the lira was battling with other depreciated and depreciating currencies, notably the French franc, which stimulated French exports, not only to internationally competitive markets, but to the Italian home market. Moreover, Italy's monetary exchange problem did not make its first appearance after the war; it has existed since the formation of the kingdom, due to the nation's chronic difficulty to maintain equilibrium, not to mention a favorable balance, between its exports and imports. At the best of times, the exports have out-

stripped the imports to only a small extent.

Cereals, oil seeds, fats, meat, fish and other foodstuffs from abroad cost Italy some 7,000,000,000 lire a year. Raw materials, such as cotton, coal, mineral oils, timber, copper, rubber, scrap iron and steel, cost her another 11,000,000,000 lire. These purchases are made mainly on the British and American markets, which reflect a standard of living vastly higher than that of Italy. And yet, despite all the handicaps catalogued, and despite immigration bars and tariffs and the reluctance of Italians abroad to remit money to homefolks exposed to possible loss through depreciation, fascismo has achieved social order, industrial prosperity, and a balanced budget, while the lira rose from 30.82 to the dollar in July to 22.95 to the dollar in the last week of October, 1926, and, though fluctuating somewhat, is expected steadily to respond to the stabilizing policy of the government.

Italy's Maximum Use of Her Man Power

TO USE to the utmost her man power is at once the peremptory need of populous Italy and the inflexible purpose of fascismo.

So successfully, thus far, has this purpose been pursued that unemployment in Italy, despite many heavy handicaps, has been kept within its "physiological limits"—that is, within 100,000 unemployed to over 40,000,000 inhabitants.

Fascist economists are proud of this result. They discuss it in terms like these: "Economically, we are, so to speak, in

irons—strictly confined internally and externally. Our native consumers grow at the rate of nearly 500,000 a year. Emigration has been reduced by two-thirds; it amounted to 873,000 in 1913 and to 312,000 in 1925.

"Emigrant remittances, once economically important to Italy, have shrunk more than proportionately; they have shrunk because of fewer emigrants, because of foreign governmental hindrances upon such remittances, and because the instability of the exchange led Italians abroad to fear loss

through monetary depreciation.

"To industry, capital is life. Plenty of capital, assuming that it be boldly and judiciously used, means abounding economic health. Italy, relatively to her great national neighbors, is poor in capital. Trade balances run normally against her, and, lacking her former capital-accretion from emigrant remittances, she also lacks, as sinking funds for wiping out unfavorable trade balances, those dividend-bearing foreign investments which help to enrich other countries.

"Approximately, Italy's annual savings are equal to her daily needs on the basis of a living standard which cannot be lowered. In these conditions, and in spite of these conditions, so economically has she used her man power (as well as every other resource she possesses) that she has contrived to rehabilitate herself industrially and financially, while solidifying, in-

stead of weakening, her social organism."

Who can, or attempts to, deny that it is a great achievement?

One may like or dislike fascismo—one may sympathize with or abominate (and persons of English-speaking traditions, needless to say, generally abominate) the political ideas and acts of Mussolini and his party—but it is difficult to see how any regime in Italy in the past four years could have done more for the country than its present rulers have done. It is difficult, indeed, to have complete faith that any other regime could have done as much.

Quick and great appreciation of the lira, as competent critics agree, was out of the question. Trusting the gold standard, and the gold standard only, as the basis of currency, Mussolini and his specialists knew that it represented for Italy, except as a comparatively remote resort, a counsel of perfection. To arrive at even a stable gold exchange standard by anything resembling a tour de force was not within the economic and financial power of Italy. Measures of a different sort were conditioned implacably for her.

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With some other countries—notably England—the situation was different. All her sacrifices and losses notwithstanding, England was rich. Her finances were great and her financial structure unequaled. In respect of both economic and capitalistic resources, she had an ample area in which to maneuver. And America financially stood closely by her side. By a tour de force she put sterling at par with gold. But what happened? Her industry was hit so hard that the streets of her industrial centers swarmed with unemployed.

And she is, as it were, in the trough of the sea yet. Her economic problems are countless and all but insoluble. Her coal strike is temporarily over, but the economic problem of her mines remains, and the threat of future labor trouble is only in abeyance. Some, at any rate, of her economists are disturbed deeply. Prof. J. H. Jones, for example, said to me: "We are operating within an iron ring. It is the iron ring of the gold standard. Its enlargement by ten per cent. would relieve our economic lungs enormously." Mr. Amery, British secretary for the Dominions, has stated that prosperity can return to Britain only through a radical reciprocal development of the British empire as an integral manufacturing and trading concern.

Italy, with any hope of avoiding dangerous privation among her people, could not play the game which the financial masters of Britain played. Her room for financial maneuvering was small; it virtually did not exist. She could not do things in the financial realm with scant consideration for things in the economic realm. Her financiers were of necessity in continual and submissive consultation with her industrialists and experts in political economy. It was a case, not of finance overbearing industry, but of industry overbearing finance.

Fascismo, in short, understood Italy and shaped its course according to Italian conditions. Italy maneuvered, but not with her currency. She maneuvered with her labor forces. She put her people to work. She built up her economic fabric. She began, without wavering and without sleeping, to create new economic blood in the only way in which such blood can be made—by producing and transporting and selling and saving.

And, in exact ratio to her economic reconstruction, her financial

position registered improvement.

It was the old, hard way, but the right way—no nostrums, no quackeries, no futile efforts to make something out of nothing, no vain chasing of ideologic will-o'-the-wisps. Only those who know Italy best—namely, her greatest scholars and thinkers—can realize the full danger in which she stood in the first

months after the war. She was on the brink. Unwise pressure would have forced her over. Her industrial equilibrium, her credit, her social order, were at stake. It was no time for indecision, and fascismo seemed then, as it seems now, not to

known the meaning of that word.

Six years after the close of the war, Italy's budget was balanced. In 1920 the deficit was 17,409,000,000 lire. One year later it was still 15,760,000,000 lire. Then the fascists came in. In 1922-23 the deficit was reduced to 3,029,000,000 lire. In 1923-24 it was down to 418,000,000 lire. By 1925—three years after Mussolini and his men installed themselves in Rome—the deficit had disappeared, and in its place was a surplus of 417,000,000 lire. For the pending fiscal year—1926-27—the surplus is expected to be still larger.

Italy's State railroads were going badly in 1921-22. Their balance sheet in that year showed a deficit of 1,258,000,000 lire. By 1924-25 the railroads were earning a surplus of 176,000,000 lire. Fascismo found the postal and telegraph services in like plight with the railroads. Their deficit in 1921-22 was 264,000,000 lire. Less than three years of economic administration

changed this deficit to a surplus of 48,000,000.

Mussolini found Italy's national internal debt at the figure of 96,526,000,000 lire. It stood at that on September 30, 1923. In less than two years—i.e., by June 30, 1925—it had been cut down to the extent of 679,000,000 lire. On December 31, 1920, the bank and treasury circulation stood at 22,000,000,000 lire. By the present year this circulation was fluctuating around 19,000,000,000, including the notes held by the central government administration.

Thus Italian currency, in the face of a population increase of more than 2,500,000 since 1920, has declined in circulation during the same period by a round sum of 3,000,000,000 lire. In other regions of Italian finance there has been similar progress, and one appreciates from these facts the attitude of confidence exhibited by bankers in general toward the financial administration and outlook at Rome.

Economics and Finance March Together

EVEN the most cursory study of the theory and practice of fascismo shows how well supported is the statement in a former chapter, that, while this Italian phenomenon "arrived picturesquely," it "arrived thinking."

Much of the thinking of fascismo relative to economics and finance reminds one of American post-war ideas and methods. Italian, like American, statesmen favored rigorous measures of economic reconstruction, coupled with the speediest practicable movement toward national financial amelioration.

It was realized in Rome, in other words, that economics and finance march together, are intimately interactive, are interdependent. Agriculture, with all its vital adjuncts, must be developed. Manufacture must be energized, expanded, and given new forms. Transportation by land and sea must be modernized. And, concurrently, debts and taxes and paper circulation must be reduced.

Fascist Italy is more pleased over nothing than over its financial record, especially during its first three acutely difficult years. Italy's treasury bills on June 30, 1922, amounted to 25,505,000,000 lire. By April 30, 1925, these bills had been reduced to 18,812,000,000 lire. Treasury notes, during the same period, were reduced from 2,428,000,000 to 2,100,000,000, while State banks-of-issue notes were reduced from 8,049,000,000 to 6,857,000,000 lire.

That these prunings of the national debt, and more especially the floating debt, helped Italy economically is universally recognized. But other motives were involved. Mussolini and his confreres foresaw agitation and strain in Europe—a reconstructional season of greater or less length and seriousness—and they wished to rebuild Italy's credit as rapidly as possible in view of eventualities. Their economic and financial watchword was: "Make hay while the sun shines."

Easily realizable assets were a primary fascist objective, and Mussolini's financiers held that these could be insured in only two ways—(1) by the gradual redemption of debts through the working of a sinking fund, and (2) by a progressive reduction of the rates of taxation, such reduction being compensated by a wider incidence of the tax burden, and by a stricter enforcement of fiscal laws.

But considerations of economic development and financial preparedness for stormy times did not exhaust fascismo's aims in striving for a diminution of the national debt. It was thinking directly also of the morale of the Italian people—a matter, as one soon learns in Italy, which is never wholly absent from any fascist scheme or policy affecting the national welfare.

And how, specifically, was Italian morale to be influenced by a reduction of the national debt? The idea was to stimulate initiative on the part of the investors by withdrawing from them some portion of their opportunity for easy-going investments in government securities. Italy had a stagnant class of rentiers—persons drawing fixed incomes from investments

within the shelter of the national guaranty.

Fascismo liked neither this nor lethargy of any kind. It wanted the people to be alert. It believed every citizen should be capable of managing his private investments. The more he were compelled to do in sifting good investments from bad, the more he would know about the productive enterprise of his country, and the better it would be for him both as an individual and as a citizen. To seek the refuge of government securities was to be an investing "minor." Italians of today should be "self-reliant" and "make their own experience." Moreover, productive investments were to be preferred to investments representing national indebtedness.

Fascist Rome's debt-liquidating propensities were disclosed still further in her prompt grappling with her foreign obligations, which weighed upon her international financial position. Beset with embarrassments in every department of State, the Mussolini government nevertheless succeeded by June 30, 1925 —some three years after it came into being—in discharging all its commercial debts to Great Britain, Brazil, Canada, Sweden, Holland, and the United States, a total of more than \$50,000,000.

Upon the heels of these settlements, Rome addressed herself to her foreign war liabilities. Fifteen days after Mussolini's first finance minister, Prof. Alberto de Stefani, was able to announce that the Italian budget had been balanced—June 18, 1925—negotiations were opened with Great Britain and the United States for the settlement of Italy's war debts to these countries. How smoothly these negotiations proceeded, and how quickly they were concluded, make one of the pleasantest stories of post-war finance.

Italy's case was presented in Washington in a manner to win the complete confidence of the American debt-funding commission. Complicated though the matter was-that of setting out in detail the agricultural, industrial, commercial, and financial situation of a great country—it was made so plain by means of terse language and illuminating diagrams that a child might have understood at least its principal features. Back of this work was the industry of some of the most capable experts in the world, and it was a fact equally gratifying and helpful to the Washington commission that the Italian figures were in agreement with those reported from Italy by America's official observers in that country.

As the fascists dreamed of, and labored and fought to achieve for their nation, geographical, political, social, and economic unity, so they envisaged and eventually effected Italian banking unity. This purpose fascinated Italian patriots and financiers for many years, but was defeated by powerful provincial interests. Having set up a gradual increase in the ratio of cover to the total circulation of notes issued to meet trade requirements, thus restoring conditions favorable to an effective handling of the discount rate, Prof. de Stefani pressed for a single national bank of issue, and in July, 1926, his successor, Count Volpi, saw this object realized.

Previously, Italy had three banks—the Bank of Italy, the Bank of Naples, and the Bank of Sicily—with the privilege of issuing bank notes. Now this privilege is confined to the Bank of Italy, which took over the note issue of the other two banks, receiving their gold reserves at the average official rate for gold expressed in paper lire. This achievement is looked upon in Rome as the banking consummation of the risorgimento.

Underlying Italy's new fabric of finance is the social solidarity of the "guild organization," in which employers and employes of all industries and professions are represented and bound together by law. These corporations or guilds are subject to the supervision of the executive power as regards their directors, activities, and management of funds. Strikes and lockouts are prohibited. Masters and men must abide by the findings of labor courts. Abrupt and wholesale cessations of work are deemed an intolerable damage and danger to the State and every interest within its trusteeship.

Fascismo holds that, as citizens must be militarily loyal in war, so they must be socially loyal in peace.

How Fascismo Fought Inflation

EXAMINING a little further the retrospect of Italian finance under fascismo, one may note that inflation as a policy was combated from the first. If its temporary industrial advantages were appreciated in Rome—as they were—its ill effects in the long run were understood equally well.

Fascismo, in this respect, had before it the experiences of Germany and Austria. It had witnessed the collapse of the German mark and the Austrian crown, with ruinous consequences to the middle classes, and to all persons dependent

upon fixed incomes, within the borders of its trans-Alpine

neighbors.

There was singular unity in Italy against inflation and against all temporizing with a depreciating lira. In the forefront of this national attitude stood Signor Mussolini's first finance minister, Prof. Alberto de Stefani, who laid down the broad industrial principle that "steady production cannot be

insured on the shifting margins of speculation."

Deflation, in the best of circumstances, and managed with the most painstaking skill, is a trying process. It entails, inevitably, more or less financial stringency and economic distress, together with a fall in all securities, public and private. Even government bonds in Italy declined, though they are expected to recover with the revaluation of the lira. Industry, however, cannot avoid losing by deflation anything it may

have gained by inflation.

Italian industry, favoring deflation, was prepared to suffer whatever hardship might be necessary in order that the lira should be re-established as a fixed and reliable measure of values. Italian business men, in point of fact, not only negatively approved the industrial rigors innate in deflation, but actively cooperated with the government in its whole policy of re-approximation to the gold standard. Nor was there any outcry against this policy from any source. All Italy fell into line, the fascist government thus receiving one of the most striking proofs it ever has received of its command over the confidence of the country.

Fascismo's mental processes with reference to inflation are interesting. It knew that manufacture and commerce could be given a fillip by cheapening money. It knew that debts could be shaved or wiped out in the same way, thus getting rid of mortgages and of taxes imposed to create sinking funds and to pay interest on public obligations. But it also saw the other side of the duality—the difficulty in financing imports, the ruin of the creditor class, the destruction of capital, the impairment of thrift and of social morale.

Modern capitalism, as fascismo saw and sees it, is based on three pillars—(1) property and the sense of its inviolability as an institution, (2) the sanctity of contract, and (3) the practice of saving for purposes of productive investment. Inflation confiscates property, and the first pillar goes; it presents the debtor with the creditor's capital, and the second pillar goes; it causes earners to spend as quickly as possible, and the last of the pillars is down.

Disastrous gambling with the national welfare was all the fascists could perceive in wanton inflation. It would annihilate Italy's foreign credit. It would produce usury and wrong accounting and continual labor trouble arising from the impossibility of adjusting wages to prices without friction. It would kill the spirit of fine work by filching away the reward for such work. Scarcity of goods, high prices, wages with everdiminishing purchasing power, farmers withholding their produce against depreciated currency, and a hundred other evils seemed to the authorities in Rome to ride with certainty upon a flood of paper money.

And they would have none of it.

Great economic and financial lessons jumped to view in the wake of currency depreciation in Germany and Austria, and the fascist rulers of Italy seem to have grasped them all. There was, of course, an utter debacle of the mark and the crown. German and Austrian bonded industrial debts were blotted out. This obliteration in Germany alone amounted, for the different pre-war corporations, to about 3,500,000,000 gold marks, or not far short of \$1,000,000,000. Mortgage values and private debts also evaporated to the total of 70,000,000,000 (estimated) gold marks (\$17,500,000,000).

German industry was relieved of interest obligations to the extent of 250,000,000 gold marks (\$6,250,000) a year. It enjoyed cheap credit at the Reichsbank. This bank lent valuable marks to industry and was repaid in depreciated paper, a transaction which meant a substantial gift to the borrowers. Inflation also gave German and Austrian industrialists an opportunity to pass their dividends. Investors in those countries, as a means of escaping depreciation, bought industrial shares

regardless of dividends.

Clearly, inflation did not look like one of those ill winds which blow nobody good. But fascismo, studying its neighbors' situation as a whole, judged inflation such a wind. It saw great home markets destroyed. It saw that the disappearance of agricultural, industrial, State, and municipal debts had carried with it the purchasing power of the middle classes. It saw affected capital values in Germany calculated to reach 150,000,000,000 gold marks (\$37,500,000,000) and representing an annual spending power of 7,500,000,000 gold marks (\$1,875,-000,000). These figures fascismo saw swelled by an enormous loss of income on house property, and it did not like inflation.

Its considered verdict was that inflation is neither more nor less than a financial debauch, producing a national headache and general malaise in precise proportion to the spree's length and severity. Sooner or later, in any case, sobriety must return, as it returned in Germany and in Austria—unless dissolution is to ensue. And, when sobriety returns, all the ancient realities of economics are found to remain. There must be a new start. Money must have a definite and stable value—must be a faithful token of those more precious things of which it is only a token. Capital will spring to life at the touch of labor and thrift; it is dead to any other magic; and credit emerges as the very spinal essence of industrial civilization.

Such were the conclusions of fascismo from its survey of post-war financial Europe, and these conclusions are reflected consistently in its policy. Deductively, it appears reasonable to suppose that, since war almost always causes inflation, as it did throughout the money systems of Europe in 1914-1918—America alone of the fighting powers escaping depreciation of its currency—and since industrial and financial Italy, under fascist control, deplores inflation, the same elements safely

may be presumed to deplore war.

And they stoutly assert that they do. Finance Minister Volpi, speaking before the Chamber of Commerce of Genoa, made this statement: "The most fantastic and malicious rumors have been circulated at home and abroad. Italy, according to these alarmists, is about to declare war against some country or countries unknown; she is about to purchase a colony for 1,200,000,000 lire; the stock exchanges are to be destroyed; there is to be a St. Bartholomew's night of stockbrokers; the Bank of Italy and other leading banks are in opposition to the government—all asphyxiating and tear-generating bombs for extracting money from the pockets of fools."

Fascismo and the "Wild Waves"

LORD CROMER, "maker of Egypt," passing through Italy a few years before his death, remarked: "This country always holds out its hand and says, 'Povero Italiano!" Fascismo, while acknowledging that Italy is materially a relatively poor country, has taught the Italian people to abnegate the spirit implied in "Pity the poor Italian!"

Field Marshal Sir Henry Wilson, another Englishman who knew peoples, exclaimed, after the terrible retreat from Caporetto in 1917: "Lack of confidence in themselves—that is

all there is wrong with these Italians!" Fascismo, if it shall bear the full fruit potential in the seed of its fundamental purpose, will cause to flourish among Italians something very different from a "lack of confidence in themselves."

And this seed has not been, and will not be, cultivated by means of the soil, air, light, and rain of phraseology alone. Fascismo has its gift for phrases—as has real intelligence of every sort—but phrases are a long way from constituting its

most remarkable product.

Fascismo is intensely practical. It has that kind of practicality which converts disorder into order in a nation; which substitutes construction for destruction; which makes still or rocking wheels spin steadily; which changes deficits into surpluses; which builds railroads and highways and drives tunnels and develops ports; which spreads direly-needed crops over hundreds of thousands of acres of what four years ago was desert.

So emptily phraseological is fascismo!

See how the new spirit in Italy affected railroading, for example. Sovietism had the Italian railroads well in hand when this new spirit surged upon the scene. Economics and sanity of every nature, of course, had been routed. Swarms of superfluous men had been employed. Earnings were down and expenditures up to the tune of an annual deficit of \$200,000,000. All development was off. Scarcely a train, even the best, ran on time. Freight and baggage were stolen. Engine drivers, if so minded, when their eight-hour day was up, left their trains at wayside stations. If a policeman or soldier or other objectionable person were aboard, the soviet station officials were apt to refuse to permit the train to pull out!

How serious were baggage thefts is indicated by the fact that, during the two years of unchecked bolshevist gaiety in the railroad service of Italy, the government at Rome paid out by way of compensation for such thefts \$20,000,000, whereas the corresponding charge upon public finance for the two years previous had been only \$800,000—more than enough, no doubt, but even pre-war administration of the Italian railroads left a

good deal to be desired.

Fascismo routed bolshevism as effectually as bolshevism had routed service and solvency. Italian trains are now reasonably clean and punctual. Signor Mussolini said to the workers: "Put your trains right and keep them on time, and then come to me with your grievances. Don't come before." Italian railroads now are making money, and Italy is no longer the El Dorado of bolshevik baggage thieves. Rome's appropriation

for railroad development, three times as much as it was four years ago, contemplates a new express line from Rome to Naples—160 miles—and one from Florence to Bologna—80 miles—including the longest railroad tunnel in the world after the Simplon. And it is a commonplace of observation that the railroad employes, disciplined and efficient, are also happy

under the reformed regime.

Signor Mussolini admits that he has made, not a foreign, but a domestic, war of conquest. This war within Italy yielded to agriculture "a new province." It cost, as war costs go, very little—about \$25,000,000. It added 400,000 acres to arable Italy. And the work is only begun. These activities are mainly in the valley of the Po, the Pontine marshes, and the arid stretches toward the point of the peninsula. Irrigation and reclamation go hand in hand, the engineers of transportation—the builders of more and better railroads and motor roads—uniting with the engineers of the water's edge in opening outlets for the swelling production following upon the achievements of the experts in hydraulics. Fascismo has its gaze fixed upon more than 4,000,000 acres of additional farmland for feeding Italy's teeming population.

Fascismo does a great deal of listening to what the wild waves say. It is thinking of colonial possibilities and of foreign markets; its thoughts run back to the days when Rome, after Babylonia and Egypt, was the trading center of the world. It wants "invisible exports"—the money of tourists, emigrant remittances, earnings upon marine and other forms of insurance, dividends upon foreign investments, the wealth that flows from cargo carrying—it wants these in quantities just as large as its historical and scenic attractions and its industrial

and financial skill and energy may make possible.

What the wild waves say to Italy accounts for the harbor work which is going on all round the coasts of the country. No new ports are rising, but the old ones—those of Genoa, Naples, Palermo, Leghorn, Catania, Bari—are in process of modernization and extension. Genoa's new docks and harbor station are costing \$7,500,000 and the similar development at Naples a like amount. But Venice is to lead Italy in its bid for ocean business. On the landward side of what Venetians call "The Dead Lagoon," docks, warehouses, factories, and oil reservoirs are covering what, time out of mind, had been a waste of shifting sand.

About Venice, as every traveler knows, are miles upon miles of low-lying lands. Venice itself is a lagoon port, unassailable alike by land or by sea, dazzlingly splendid in the Middle Ages, and again looking up in a country eighty per cent., of whose people live within a two hours' motor drive of the sea—a country whose land frontier is only 1,200 miles, but whose coast line is 4,000. Malaria once wrested wide areas of the province of Venice and of the Roman Campagna from cultivation. These areas were uninhabitable. Fascismo has redeemed them to agriculture. Fascist school children, organized into anti-mosquito squads, have scoured the country, spreading

oil upon the waters where the larvae hatched.

Nature destined Italy for agriculture, this term including oranges and lemons, grapes, olives, and chestnuts. All the crops of Europe and many of those of the tropics grow in the Italian climate. In the Campagna irrigation of meadowlands produces ten crops a year. From four to six are produced in Lombardy. Nearly every part of the country—continental, peninsular, and insular—is good for at least two or three crops a year from the same land. Irrigation in Sicily augments production twentyfold. Southern fruit trees, especially the olive, grow so luxuriantly in Italy as to present apparently endless expanses of prolific vegetation.

To these opportunities of nature, as well as to the opportunities of energetic will-power in industry, trade, and finance, fascismo is wide awake. Its large expectations, its sentiments and tentative plans in scale not unlike those of the people of Italy when Rome was the Mediterranean and much more, are understandable as something far less intangible than the dreams of an idle megalomania. But these expectations, so far as reason can find its way amid the mysteries of fascismo, are

postulated upon peace—not upon war.

Wedding Esthetics to Economics

POSSESSING no "black coal," fascist Italy resolved to have

an abundance of "white coal."

Bounded on the north by the great wall of the Alps (Mont Blanc and Monte Rosa towering over this frontier), and ranged throughout its length by the folded Appennines, the land of fascismo is dowered richly with snowfields and glaciers—the "raw materials" of irrigation and of industrial hydro-dynamics.

Fascismo said: "We shall have not only power, but beauty."
Twenty-five miles from Milan, at Paderno, on the river Adda, in the midst of pleasant scenery, stands a specimen of Lom-

bardian architecture with the appearance of a palace—even the palace of a prince. Its internal design and finish are congruous with its external. Its floor of modeled mosaic, its walls of scratched plaster, with lamp-holders of wrought metal, it is a palace, indeed, yet a palace of industry. It is a modern hydro-electric power station, full of giant turbines, and illustrates fascismo's idea of esthetics in association with the use of Italy's "white coal."

And the electrical palace of Paderno is one of scores between the Alps and the Mediterranean. There are larger and finer ones. That at Verampio is still more modern and more beautiful. No dirt or gloom. No ugly out-buildings. No grimy shacks for housing the workpeople, but clean, simple, comfortable homes. Observers of the vast and growing electrical system of Italy hardly can avoid exclaiming: "How fortunate that

nature denied the country coal!"

Italian sensitiveness to beauty, a pristine predisposition of the race, manifests itself in cities, in villages, among the hill communities, and on the plains. It is seen right up to the Alps. It is seen also in the peninsular areas and on the islands under the Italian flag. One readily may fancy that, had the industrial revolution come in Italy, not yesterday, but a hundred years ago—as it came in Great Britain—Italian artists and engineers would have cooperated to minimize its ugliness. That they would have fought the horrors of coal dirt and smoke, had these besieged them, goes without saying. But could they have prevailed? It is doubtful. Certainly it has remained for Italy to attract technicians from all the world to study her effort to build a mighty industrialism without marring her heritage of natural beauty.

Electricity—the electrical power of industry and of transportation—is all about the traveler in the land of Mussolini. It flows through a webwork of standard-borne wires linking up power stations on the mainland and on the island. It runs machinery and trains and gives the country light. Prof. Giulip de Barchi, member of the Italian electrical council, estimates that the output of electricity in Italy this year will reach 8,000,000,000 kilowatt-hours, that it will go to 11,000,000,000 by 1929, and that 50,000,000,000 units is not too much to expect in the not distant future. Given electricity in such quantity, and given the requisite raw materials and markets, nothing can prevent Italy from taking rank with the first industrial nations of the world.

With all the natural advantages necessary to a huge output of electrical power, Italian hydraulic engineers nevertheless are faced with problems of the greatest complication. They deal with varying water supplies—great and tempestuous flows, small flows, no flows, rivers that rush to the sea from dizzy altitudes—and with demands spread over a large geographical area. Regularization of flow requires the maintenance of gigantic mountain reservoirs, or artificial lakes, which now contain 900,000,000 cubic meters of water, with new reservoirs building to contain nearly as much again.

These accumulations of water, together with the massive dams which make them possible, fall like the power houses under the spell of the native Italian love of beauty. They quarrel with no part of their natural setting. They spoil nothing. Their look is that of indigenous features of the mountain *ensembles*. Over their construction brooded that philosophy of taste which left its imprint upon the famous water-conduits of the ancient Romans. They seem highly-fitting contrivances for holding and pouring out streams of power—"white coal"—for the comfort and culture of a great and artistic people.

Hydro-electrical engineering meets in northern Italy a situation wholly different from that in southern Italy. The northern plants are in the Alps amid winter snows, which form great reservoirs, yielding little power in winter and much in summer. In central and south Italy the case is reversed. Here the lower mountains yield a copious flow in winter and a limited flow in summer. It is by a skilful and widely-applied scheme of compensation—by universalizing the cable connection of seasonal power stations—that all Italy and its islands get the electrical

energy they want when they want it.

Nor is it only electrical energy which pours down from the Alpine and Appennine heights to the hills and the plains. Water is needed in Italy, not only to turn wheels, but to produce food. It is needed for sun-baked fields. The same water is used for the two purposes. It first furnishes the power to generate electricity and then is turned into ditches for the fertilization of farms. In Sicily, where irrigation is all-important, water stored up in winter is used in summer, Sicily's winter supply of electricity coming by cable from the great power system in Calabria. In Sardinia has been formed one of the largest artificial lakes in existence, and this island's water and electrical needs are met as are those of Sicily.

Fascist governmental stimulus, control, and financial aid are behind Italy's electrical development. Mussolini and his ministers steadily press for more power and more water, while sharply guarding against overlapping. Subventions of \$1.75 per h.p., for northern and \$2.50 per h.p., for southern plants will be allowed by Rome up to 1928. These enterprises, therefore, organized into big groups, represent a combination of State control and aid with private ownership. Fascismo believes in private ownership and the special competence and zeal which usually accompany it, but finds a function for the State in seeing that things really shall be done and done right.

There probably is not too much rose-color in the prediction that Italian railroads shortly will supply a model for the world. They at least are going forward on up-to-date lines. Electricity and excellent mechanism for its application explain this advance. Twelve years ago Italy had 288 kilometers of electrified railroad. By 1921 this lineage was doubled. Today electrically propelled trains run as far south as Pisa, and the work of extension does not halt. Italy's electrified railroad lineage is now 900 kilometers, or about 600 United States statute miles.

What does it all look like? Does it look like war? Does it not suggest rather the laying of the foundations of a great, industrially progressive peace? Would it not seem that fascismo is seeking to build, and to build well, a civilization which war

only could destroy?

Many sane voices are heard in Italy. Luigi Luzzatti, (died March 29, 1927) gray and wrinkled, veteran economist and financier, uses such a voice. He tells Signor Mussolini—and Mussolini hears him, too—that everything fascismo is doing in agriculture, industry, economics, and finance depends for its fruition, not upon adventure, not upon bellicosity of utterance, not upon alarmist diplomacy, but upon a conciliatory and unflagging assertion of Italy's high claim upon the admiration and the confidence of mankind.

What Manner of Thing Is Fascismo?

INTEREST in any phase of fascismo infallibly excites interest in the whole manifestation, subjective and objective. To study fascist economics and finance, that is to say, is to be drawn (almost irresistibly) to fascismo as a spiritual and political question.

What, really, is Mussolini driving at? What manner of thing, comprehensively, is fascismo? Is it at all like liberalism, like democracy, like socialism, like bolshevism, like any political concept or body of theory of which we know?

Speaking to myself in Rome two and a half years ago, Premier Mussolini said:

"It [fascismo] is emotion, theory, and practice; it is sentiment, ideas, and acts; it is something felt, something thought, and something done. Fascismo is a spiritual inspiration, a body of doctrine, and a system of State policy."

Liberalism, democracy, socialism, even bolshevism, declare they are out for popular liberty. What does Mussolini say fascismo is out for? These are the words he used and sub-

sequently approved:

"It cannot be too strongly affirmed that fascismo is not an enemy of true liberty. It is an enemy of false liberty. It is an enemy of the liberty of one person, or of any group of persons, to take away the liberty of another person or of the nation as a whole. Our point of view is that when we assert the rights of society we are asserting the rights of every member and every element belonging to that society. No individual rights or liberties are secure in a State whose national rights and liberties are not secure. Upon social justice rests all justice; social justice is essential to social equilibrium; and social equilibrium is another name for civilization."

So fascismo, according to its most illustrious exponent, has some ideas singularly suggestive of those issuing in turn from the English, American, and French revolutions. Liberals, democrats, socialists, even bolshevists—all political theorists characteristic of the period since the establishment of Protestantism in the sixteenth century—have professed to aim at liberty. What British liberal or American democrat, for example, would demur at Mussolini's dictum that no person or group of persons must be privileged "to take away the liberty of another person or of the nation as a whole"?

Again, would either of these citizens—the Briton or the American—oppose the view that, when the rights of society are asserted, the rights of all its members and elements are asserted? Or the view that insecurity of national rights and liberties is insecurity of individual rights and liberties? Or the view that social justice is basic, that it spells social equilibrium, and that social equilibrium spells civilization?

And what do Britons and Americans—great peoples generally, indeed—stand for in the economic world? Broadly, for freedom, for private property, for private initiative, for validity of contract, for the capitalistic principle, for the binding character of private and public debts.

Is there any clash here between fascismo and democracy?

"I am for the greatest economic liberty," said Mussolini. "The strong State does not in the least mean the State which wishes to do everything for itself and by itself. On the contrary, I am convinced that the stronger the State the greater the effective liberty within which the economic life develops."

Private property and initiative, validity of contract, the capitalistic principle, the binding character of private and public debts, all are cherished by fascismo. It is true, as Signor Alfredo Rocco, minister of justice in Mussolini's government, points out, that fascismo does not regard the doctrine of economic freedom as "an absolute dogma." But neither does either the liberalism of Europe or the republicanism of America. Fascismo is not peculiar in its theory, whatever it may be in its manner of applying the theory, of the responsibility and the ultimate supremacy of the general authority in the economic as in every other national sphere. All modern States have one way or another of protecting society from economic or other forces which may develop anti-social tendencies.

What, then, is the real difference between fascismo and the other political philosophies post-dating the Reformation, particularly the parliamentarism of Britain and the republicanism of the United States?

Signor Rocco sums up the source-difference as inhering in the fact that all modern political concepts except that of fascismo put the individual first and the State second, whereas fascismo puts the State first and the individual second. In the parliamentary or republican point of view Signor Rocco (and with him Mussolini and all fascist intellectuals) see the threat of anarchy—of the social disintegration which followed the fall of the Roman empire and signalized the Middle Ages.

Liberalism and republicanism, as fascists define them, are "atomistic" and "anti-historical;" they "consider society in its spatial, not in its temporal, attributes;" society, to non-fascists, is "merely the generation living at a given moment;" it exists wholly to serve the ends of this living generation; it is "materialistic;" it comprehends neither the beneficence nor the glory of "sacrifice." Fascismo, as its champions believe, excels these doctrines incalculably, both in moral sense and in mental discernment.

Its idea is that the State—i.e., society—has rights and the citizen duties. Yet it does not have contempt for the citizen. It does not regard him, as some suppose, as a worm. It regards him as a vital unit of society—the very origin, as a matter of fact, of all social virtue and strength. But it conceives that the citizen rises to his highest worth, and attains his maximum

happiness, not by considering himself a sordid, separate atom, and not by thoughtlessness of ages past and to come, but through glad and constant service to his fellowmen, and through knowing and loving the glories of yesterday and aspiring to transmit them enlarged and beautified to those who shall live tomorrow.

Just a different way of looking at the whole problem of human life and progress—that is all. Fascismo is harking back to old Rome and its splendors. Fascismo is autocratic and aristocratic. It believes in will-power, in energy, in genius, in special aptitude and training, in education—above all, in courage. It rejects the whole Germanic concept of politics—that concept which the western world thinks of as germinating freedom—declaring that it represents a disastrous departure from the principles of ancient Latin political wisdom.

To the fascists, speaking bluntly, democracy is what it was to St. Thomas Aquinas nearly seven centuries ago—mob rule, dangerous alike to rich and poor, and shown no more disquietingly anywhere than in the antagonisms of class which wrought destruction in Great Britain during the summer of 1926. Yet, curiously enough, while blessing the tradition of the relentless Roman State, and even commending the maxims of Machiavelli, fascismo (through the mouth of Rocco, vouched for by Mussolini) is capable of affirming: "Even the lowest elements of society, in great historical crises, reveal a racial penetration almost infallible, and this penetration must be afforded a way of declaring itself."

Fascismo and English-speaking self-government—the antithetic concepts of ancient Rome and modern democracy—stand sharply etched before the world, the one hardening day by day, the other dramatically expanding. They face each other, though not in any hostile spirit, in the political, social, and economic fields. Presumably a few years' time will enable mankind to judge their relative merits conclusively.

Fascismo and the Individual

ONE of the most puzzling aspects of fascist thought is that of its attitude to the individual. At one and the same time it seems to say, "The individual is nothing—the individual is everything."

What does the position mean?

It means, if I can plumb it, that the individual, in the fascist conception, is nothing as an independent, unrelated, self-wilful being or force, but everything as a social being or force. If the individual be permitted to go his own way, and his own way be anti-social, he moves toward self-destruction and does what he can to pull society after him.

Fascismo holds that the individual is vital to society—the indispensable unit of society—but it also holds that his own no less than the public welfare requires that he shall obey society. Without the individual, manifestly, there could be no society. Neither could there be any society, according to the fascists.

without individual obedience to it.

In some respects fascismo dignifies the individual transcendently. It greatly honors morality, culture, creative will-power, courage. It exalts natural intelligence, rare gifts, genius. It gives pre-eminent place to what one of its ablest exponents—Alfredo Rocco—calls "the intuitiveness of great minds, their traditionalism, their inherited qualities."

Mussolini himself is the best example of fascist faith in the supremely gifted individual. Fascismo believes in leadership. Leadership is a matter of individuality. Fascists do not look upon Mussolini as an enemy to individualism; they look upon him as individualism's greatest friend—a man whose keenest delight is to honor the honorable.

"Mussolini is a tyrant," you say to the Italian friend you meet in the streets of Rome.

"Oh, no," is the smiling reply. "Mussolini is just a surpassingly unselfish and able servant of Italy."

Socialism believes in society doing things. Since fascismo always is predicating the importance of society, one might conclude that socialism and fascismo are about equally out of conceit with the individual. But socialism and fascismo do not agree at all. With reference, for example, to the relations of capital and labor, Marx and Mussolini are the poles apart.

On this head, Signor Rocco, whose exposition of fascismo Mussolini terms "masterful" and indorses "throughout," says:

"It [socialism] does not take into account human nature. It, therefore, is outside of reality in that it will not recognize that the most powerful spring in human activities lies in individual self-interest, and that the elimination from the economic field of this interest results in complete paralysis. The suppression of private ownership of capital carries with it the suppression of capital itself, for capital is formed by savings, and no one will want to save, but rather will consume all he makes, if he knows

he cannot keep and hand down to his heirs the results of his labors.

"The dispersion of capital," Signor Rocco goes on, "means the end of production, since capital, no matter who owns it, is always an indispensable tool of production. Socialism . . . leads to poverty. Of what avail is it to build a social machine to distribute wealth more justly, if this very wealth is destroyed by the construction of this machine? Socialism committed an irreparable error when it made of private property a matter of justice, while in truth it is a matter of social utility."

Signor Rocco adds: "The recognition of individual property rights, then, is a part of the fascist doctrine, not because of its individual bearing, but because of its social utility." In another place Signor Rocco says: "Individual ambition is the most effective means for obtaining the best social results with the least effort." Again: "Fascists make of the individual an appropriation of the advancement of accients."

economic instrument for the advancement of society."

And why advance society?

Because, in the fascist view, only the advance of society—the scientific and orderly cooperation of all classes under the control of the State—insures a full realization of either social or individual possibilities.

It is a remark of fascismo that, while "democracy vests sovereignty in the mass of human beings," fascismo "discovers sovereignty to be inherent in society when it is juridically organized as a State." Says Signor Rocco: "Democracy turns over government to the multitude of living men that they may use it to further their own interests; fascismo insists that government be entrusted to men capable of rising above their own private interests, and of realizing the aspirations of the social collectivity, considered in its unity and in its relation to the past and the future."

Mussolini's theories, in a word, are intensely patrician. He does not deem the masses either morally or mentally fit for government. He thinks the common run of mankind selfish and arrogant and prone to take as much as it safely can lay its hands on. He thinks it not only sordid and unjust, but stupidly soblind to its own interests. He assumes that the classes, being unintelligent and self-seeking, must be held in harmonious relation by the power of the State in order to prevent them from engaging in strife threatening anarchy and national disaster.

If you are going to have a master, which should you prefer an educated, high-minded government, striving for the good of all, or a government thrown up by special interests to serve their own ends? Which is the more likely to guarantee you in your life and property, in the peaceful pursuit of your rightful ambitions, in all the essentials of your personal liberty? In fine, which are better in government—science, strength, evenhanded justice among all classes and all individuals, or comparative ignorance, feebleness, and continual yielding to the

pressure of powerful self-interest?

In such questions as these, regularly addressed to critics or investigators of fascismo, one gets an idea of the new Italy's challenge to democracy. It is not a quarrelsome or minatory challenge. It is not a propagandist challenge; Mussolini and fascist Italy are not pressing their doctrine upon the rest of the world. It is a moral and an intellectual challenge. It is a claim that Italy has a better scheme of society than have the self-governing nations—or, at the very least, a better scheme for Italy.

At a recent notable dinner in Washington (that of the Society of American Newspaper Editors, on the night of January 15) Dr. Nicholas Murray Butler, president of Columbia University, delivered what capable judges regarded as one of the greatest speeches ever heard in America. It was a stirring appeal to the champions of democracy to face squarely, and without prejudice or heat or illusion, those great systematized challenges to representative government which are associated with the names of Lenin on the one hand and Mussolini on the other. "We must be up and doing," declared Dr. Murray Butler,

democratic institutions only by making them work."

Just twenty years before, the same speaker, delivering the Charter Day address at the University of California, affirmed: "The United States is in sore need today of an aristocracy of intellect and service." At the Washington dinner the famous educator and publicist still was calling for ability and devotion in the cause of what he believes to be the best form of government ever evolved—that of a representation which scorns demagogism and bases its course immovably upon conscience, knowledge, and judgment.

"if we are to vindicate our principles. We can preserve our

Fascismo and Democracy Compared

"FASCISMO," said Baron Giacomo de Martino, Italian ambassador to the United States, in one of his impressive speeches in Chicago in January, 1927, "is founded upon as true a spirit of democracy as is the government of America."

That the ambassador spoke sincerely, if somewhat bewilderingly, no fair student of the political economy daily taking more

tangible form in Italy is likely to question.

Baron de Martino probably would not be misreported greatly if he were paraphrased thus: "America is founded upon a truly democratic spirit, because its purpose and effort are to serve the whole people justly and well. Fascist Italy is founded upon a truly democratic spirit, because its purpose and effort, also, are to serve the whole people justly and well. American and Italian governmental methods differ, but the spirit of their public services is the same."

No political inquiry, perhaps, could be more interesting or suggestive than is that of a comparison of the fascist and republican theories of organized social relations in a great modern State. If sharp differences between these theories are immediately apparent, it is likewise true that some of their essential

similarities are readily discernible.

To talk with any well-informed fascist is to find oneself smartly questioned concerning fascismo and republicanism as seen each in the light of the other. What are both fascismo and republicanism trying to do? To arrive at a defined way of life for orderly, prosperous, progressive, happy peoples. How are they trying to do this? Through leadership. What kind of

leadership? The best.

Fascismo and republicanism do not choose their leaders in exactly the same way. With fascismo, leaders choose leaders—Mussolini, for the present, choosing leaders who choose other leaders successively down the scale of public servants. With republicanism the people are supposed to choose their leaders. But do they? Even with republicanism, do not self-constituted leaders, good or bad, choose the standard-bearers of parties and hence the persons of political authority? Fascists contend that theirs is the better way—that they get a more discriminating, exacting, conscientious, and intelligent selection of leaders than the democratic countries get. "Expertness in all things" is one of their mottoes.

In a comfortable, brightly-decorated smoking room in a

Rome hotel one night I heard a fascist arguing:

"What competence have ordinary people, rightly and necessarily engrossed in their own pursuits, to select leaders? Ordinary folk have not the opportunity, the aptitude, the experience, to compete with party henchmen. Democracies and republics of all sorts must vote—if they vote—for candidates offered to them by the wirepullers, little or big. It is unnatural, unscien-

tific, foolish. Leaders in every department of official service should be named by persons born and trained to lead. Such persons are proud of their function. They love to honor it, because in honoring it they honor themselves and perpetuate their office."

"Who would name the first leader?" asked a thin, pale, inter-

ested Englishman, sunk in a big-armed leather chair.

"God would name him."

"Did God name Mussolini?"

"Who can doubt it? God, speaking ultimately, names all leaders who are fit to lead, just as he commissions to sing all poets who are fit to sing. You people in the so-called democratic or republican countries do not expect blacksmiths to do the work of watchmakers, nor employ architects to remove appendices or mend broken legs. Government is a science. Leaders are specialists. Peoples can, and will, recognize and reward or punish good or bad leadership when they see it, but they have not the time or qualification to seek it out and establish it in places of power."

"You assume," said the Englishman, "that the Italian people, at the moment, consciously recognize and approve the quality and the behavior of their leaders—that, in other words, they have the very leaders whom they themselves would have chosen had the function of choice been theirs and had they been capable

of appreciating good leaders."

"That I do assume—absolutely," replied the fascist. "And how could it be otherwise, unless we are to presuppose two things: (1) that the Italians have the ability to make a false show of national accord and enthusiasm lasting over four crucial years, and (2) that they are void of understanding? Everyone traveling about Italy sees the accord, the enthusiasm, and sees, too, the marvelous benefits fascismo has conferred upon our people. Are our people, alone of those in Italy, insensate to these things? What are governments for if they are not to benefit the people? Who minds epithets or shibboleths, such as that of 'dictatorship' or 'tyranny,' if all is going uncommonly well with the nation?"

"Fascismo will last as long as it seems good to the Italian people?"—from the Englishman.

"As long as it seems good to the Italian people, and no longer,"—from the fascist.

On a subsequent occasion, among the officials at Chigi Palace—Mussolini's G.H.Q., in the heart of Rome—I heard a highly-educated and extremely courteous young fascist express-

ing the difficulty he had in grasping the republican theory of representation. His state of mind on this point may be seen in his question and comment, which were substantially as follows:

"Did Burke define the representative duty accurately, not only for England, but for democracies in general? If I understand Burke, he conceived the parliamentary representative as really an autocrat. This representative was to know his constituency thoroughly, to respect its ideas and wishes highly, but, in the end, to do as he pleased, even if it were necessary for him to go against the will of those who elected him.

"To my mind," continued the young fascist, "Edmund Burke in his historic speech to the electors of Bristol, disclosed his belief, not in the divine right of kings, but in the divine right of members of parliament. 'But his (the member of parliament's) unbiased opinion, his mature judgment, his enlightened conscience,' said Burke, 'he ought not to sacrifice to you, to any man, nor to any set of men living. These he does not derive from your pleasure—no, nor from the law and the constitution. They are a trust from Providence, for the abuse of which he is deeply answerable. Your representative owes you, not his industry only, but his judgment; and he betrays instead of serving you if he sacrifices it to your opinion.'

"'You choose a member, indeed,' Burke proceeded in the hearing of the men of Bristol, 'but, when he is chosen, he is not a member of Bristol, but a member of parliament,' and Burke described the duty of parliament, not to this or that or the other constituency, but to the nation as a whole. I seem to recall identical reasoning by American interpreters of the American constitution, though, of course, one hears of time-serving politicians with their ears constantly glued to the

ground.

"If Burke may be said to have been right, it is hard to detect much difference between the ideal leader or servant of democracy or republicanism and the ideal leader or servant of fascist Italy. Both hold a high mission to ignore local interests at the call of the interests of the nation, and both are bidden, in the last resort, to stand or fall by their own inspiration, knowledge, and wisdom. Democracies choose their leaders by what they appear to consider a democratic process. The fascist society chooses its leaders by what perhaps might be termed an aristocratic or autocratic process. But, when they are chosen—assuming the correctness of the Burke rendering—

both are leaders and not followers, and both are answerable to something higher than popular opinion."

"The exchange of international thought," says Thomas

Hardy, "is the only possible salvation of the world."

It probably is well that fascismo and democracy are looking each other in the face.

De Stefani Cites Perils to Peace

PROF. ALBERTO DE STEFANI, Signor Mussolini's first finance minister (1922-1925), is recognized throughout Europe as an economist of great attainments and as a financial genius.

Reginald McKenna, ex-chancellor of the British exchequer and England's foremost banker, speaking before the Institute of Bankers in London, said of Prof. de Stefani: "He is a most distinguished man, not only as an economist—president of the faculty of economic sciences in the University of Rome—but in the success of his gallant labors and his wisdom as the post-war reconstructionist of financial Italy."

Forty-eight years of age this year (1927) Prof. de Stefani, when he accepted the portfolio of finance in the fascist government, was only 43—the youngest minister who ever shouldered the burdens of the Italian treasury. He was without experience in public life, a scholar, a thinker, a teacher of political economy. He had fought as a volunteer in the great war. He was a born

fascist. He looked promising to Mussolini.

Prof. de Stefani is a short, rotund, lofty-browed, serious, non-talkative person who easily might be mistaken for an actor of first-rate powers. He has a clean-shaven, finely-modeled face, a big nose, a dimpled chin, and eyes which look so steadily at one that they seem to have been mechanically set in a single position. His brown hair is brushed straight back from his forehead. As he sits talking in his reserved way, his legs are crossed, and the fingers of his large, shapely hands are interlaced in his lap.

It was in his private office in the Via Dandolo, Rome, that I had the privilege of a conversation with Prof. de Stefani. The room was small, dark, muffled, and cluttered with books. The questions and replies were brief and precise, as follows:

"What do you think of the Dawes Plan?"

"That its execution means the insertion of a disturbing element into the ordinary relations of international exchange." "Will the plan make Germany abnormally strong as an exporting nation—as a competitor in international markets?"

"In the last analysis, Germany, in my opinion, will not be

benefited particularly by the Dawes Plan."

"Do you mean it will lower the standard of living of the German people?"

"Not seriously and permanently."

"Europe would not benefit by a lowering of the standard of living in Germany?"

"Europe will benefit by a high standard of living in Ger-

many."

"Should you like to see an end of the Dawes Plan and of all war debts?"

"Such a consummation, I believe, would remove a disturbing element in international exchange, and also in the domestic economy of debtor and creditor countries alike."

"What is the story of inflation and deflation in Italy?"

"Italian inflation was of an exclusively military nature. It paid our war expenses in so far as they could not be covered by public loans. Deflation can be effected solely by repaying to the bank of emission the loans made by it to the State. This policy of repayment already has been applied vigorously. It was made possible by the balancing of the budget."

"What are Italy's economic and financial prospects?"

"Italy's economic possibilities are unlimited—the greater part of them as yet awaiting development. Moral factors, especially the factor of will-power, are vitally related to any forecasts one is able to make concerning our country."

"What is Italy's relative position, internationally, in respect

of direct and indirect taxation?"

"A priori principles do not govern Italy's fiscal legislation. It is based upon the concrete economic results of taxation, and the only country which has abolished the inheritance tax within direct succession is Italy. We also are reducing the proportion of direct taxation, compensating ourselves by broadening the taxation field."

"Do tariffs and immigration laws threaten world peace?"

"They do. They may not destroy world peace—statesmanship may recognize the perils they create and take the measures needful—but they threaten it. This danger I pointed out at the London conference for the application of the Dawes Plan. I pointed it out also at the first meeting of the preparatory committee of the international conference of Geneva. It is the internal legislation particularly of the democratic and pacifist countries—legislation affecting the movement of merchandise and of men, women and children—which brings about those differentials of economic and demographic pressure prone to explode in armed conflagrations among peoples."

"Does the raw materials situation threaten peace?"

"Not at present, but it may do so. It certainly will do so if the fortunately placed countries—those with an abundance or superabundance of raw materials and of room for productive and contented human life—continue to be governed by the criteria which govern them today in the tariff and immigration domains."

"What is the solution?"

"Presupposing peace, the solution is in somehow making room for the bodies and the wills of men, and in the freedom of exportation of raw materials at non-monopolistic prices. And, when I say non-monopolistic prices, I mean cost prices—a fair field and no favor."

"Disarmament?"

"Italy awaits the action of nations militarily more powerful. Further, it is to be assumed that economic power and human energy—not mere munitions—are fundamental in this matter. One country may have an armament twice as big as has another, with a mobilization strength half as great."

"Is Europe meditating a policy of economic balance of power

against America?"

"No. And, even if it were, one must realize that history dominates programs, not programs history."

"Can you foresee a warlike Eurasian, or European-Asian,

combination against America?"

"No. But, historically, we are aware that military alliances are unforeseeable—lost to our view in the womb of history."

"If England sank—what?"

"Here, again, prophecy is idle. But I descry no signs of overwhelming seas ahead of England."

"America's swelling stream of investments in Europe?"

"It implies, at the moment, non-compensatory relations between creditor and debtor nations—at the moment, I say. Much depends upon the magnitude of these investments and the period of amortization or payment. Besides, European investments in other parts of the world—even in America—are not lacking, and these make toward a balancing of the investments of the United States in Europe."

"Is capitalism tending toward self-destruction through an

overgrowth of the rentier class?"

"Whether capitalism contains within itself the germs of its own destruction I do not know. We in Italy, at all events, believe in the non-economic factors of history. To the materialistic concept of history we oppose the concept of a hard, combative, volitional, sleepless life. Men, in our view, can do wonders, provided only they pour all they have into the struggle."

"Italian 'megalomania'?"

"A product of international ignorance concerning us. Its cradle and nursery are in the predatory nations. Italy asks for herself, for her idea, for her culture, only a reasonable part of the total opportunity which nature offers to the intelligence and the labor of man on this planet."

Pirelli's Road to "Economic Salvation"

DR. ALBERTO PIRELLI, known to specialists in economics as Italy's ablest practical economist, received me with great kindness at his office in Rome. He is a slender, energetic man, with a bright face and a piercing intelligence. One of the makers of the Dawes Plan, and the expert mainly responsible for the brilliant presentation of Italy's case to the American debt funding commission, Dr. Pirelli stands in the first rank of those who have striven to repair the wreckage of the world war.

"Of course, the Dawes Plan has its defects," said he. "Nevertheless, everyone will agree in calling it a milestone on the road of post-war reconstruction. Its importance, primarily, was that of a clue guiding throughout the grave political situation resulting from the occupation of the Ruhr, and from Germany's economic and financial collapse. Moreover, it illumined the practical side of the problem of reparations. It showed that this problem was more than a matter of budgetary surplus—that it involved also the possibility of transfers."

After a moment's pause, Dr. Pirelli interjected:

"We all owe gratitude to the Americans who played so important a part in the realization of the Dawes Plan."

And then he continued:

"Touching the connection between war debts and reparations—I mean in the sense of a cancellation of the debts conditionally upon the annulment of the reparations—Italy can reason in a spirit of impartiality. All our expected revenue from reparations—every lira contemplated by way of payment from Germany to Italy owing to the war—we have sacrificed. We apply it to meet our obligations under the Washington and London settlements. And we do more. On reparation account, we grant Austria a twenty years' moratorium, and we postpone reparations from Hungary in order to make possible a loan for the restoration of that country.

"What are the results? Terribly heavy burdens for Italy—burdens of reconstruction, burdens of repair of damages due to invasion of our territory. Leaving out war pensions, demobilization bonuses, and grants to ex-service men's families—an outlay amounting as early as June 30, 1925, to about \$1,000,000.000—Italy has been forced to expend in rebuilding processes

more than \$1,000,000,000.

"Italy does not misunderstand America on the question of the war debts. America believes in the moral sanctity of these debts; Italy, too, is persuaded of the soundness of this moral basis. Italy signed the Washington settlement in recognition of the American view. But it is not the only view, nor the only view arguable in consonance with sound morality. Italy settled, settled honestly, settled with a full determination to pay according to her capacity—even, possibly, more than was warranted by this capacity.

"But the matter is complicated. It is indescribably complicated. No one can foresee all that may happen. Italy's case is only an item in the gigantic problem of international payments successive to the war. I am certain the American people will not close their eyes to the economic disturbances sure to flow from the complexus of transfers inseparable from reparation and inter-allied debt operations. These disturbances will affect the whole field of international trade and finance.

"Italy, I say, can view this question impartially, because the reparations allotted to her balance what she is obligated to pay.

"Reparations, inter-allied war debts—whatever one may say of their relative validity in morals, and in normal human sentiment, my point is that they unavoidably create similar difficulties in the field of transfers.

"Business men are concerned already, and justly so, over the task of effecting payments on so large a scale by nation to nation. It is true, as many authorities have pointed out, that Germany is the one big debtor and America the one big creditor, and that ultimately the whole current of transfers should flow from Germany to America. But it cannot flow so independently of other nations—as if other nations did not exist,

or bore no relation to this perplexing survival of an unprecedented intermingling of nations. There will be innumerable intermediate and side currents. No country's exchanges can

escape the impact of these extraordinary payments.

"Through an honor conferred upon me by the International Chamber of Commerce, I became chairman of a committee to study this problem. The chamber, of course, is interested greatly in the negotiations between France and Germany on the subject of a mobilization of the German bonds issued on reparation account. But, obviously, practical results cannot be expected unless they are brought about by agreement of all the countries interested in the Dawes Plan. This historic plan was born of the good will of all European States and of America. For the momentous decision of marketing German reparation bonds, we need a like magnificent demonstration of European-American good will.

"Our world is seeking economic salvation. Wherein is this salvation to be found? To my mind, it can be found in just one quarter—that of the simplification and facilitation of economic relations throughout the earth. If such ends are to be reached—if mankind is to work for itself instead of against itself—then a new spirit of international solidarity must spread over the world. Men must become bigger and wiser—bigness of outlook, in this matter, is wisdom, or breeds wisdom. Until we know that the neighbor's ruin is no man's profit—know, indeed, that the neighbor's profit is our profit—we do not know enough to practice sound principles of international economics and finance.

"Look at America and Italy, as an instance in point. Why should America care, economically, about Italy? The United States sold to us in 1925 goods to the value of 6,200,000,000 lire. Likewise ran the volume of American sales to Italy in 1926, whereas Italian sales to the United States in 1925 were only 1,900,000,000 lire, with a still smaller Italian export to America in 1926. Italy is a good customer of America, and anything which can be done to enlarge our capacity to buy American goods will prove more advantageous to the American people than will the mere fact of cashing the yearly instalments Italy is paying on account of war debts.

"Few people in America can hope to realize how diverse are the economic positions of Italy and the United States. To all but those who know the relative facts the disparity of fortunes is incredible. America, happily for her and for everyone else, is able to reduce the tax burdens of her people. Italy must pile up these burdens, thus reducing her purchasing power in foreign markets. Only a maintenance of our speedy rate of industrial development can prevent our population problem

from becoming alarming.

"I am bound to feel that the whole world is watching Italy's struggle, not without sympathy. We all are working at the top of our powers, mental and physical. We are practicing every virtue of self-denial and of social dedication. We are endeavoring to find our way peacefully to an opportunity to live and prosper. I look to the practical genius, no less than to the generous feeling, of the American people to see our situation in its true light and, with increasing conviction and vigor, to support those broad theses of international cooperation which comprise the true philosophy of the interwoven civilizations of our day."

Dr. Hertz' Idea of a Sane World

DR. FRIEDRICH HERTZ, admittedly Austria's first economist, is a fine-looking and a fascinating man, sturdy of character and of body, broad and furrowed in brow, brownhaired, brown-mustached, blue-eyed, studious, deliberate, sin-

cere, enkindling, aged, I should guess, about 45.

Dr. Hertz welcomed me in his small, private room at the foreign office, Vienna, at 4 o'clock on an afternoon when a brilliant sun was doing all it could to enhance the stateliness and beauty of probably the fairest capital in the world. There, in the midst of piles of papers and books, we talked of world affairs until the sun was gone and the room was in deep shadow.

As, on leaving, I walked down the deserted, echoing stone corridor leading to the street, I could not help thinking that Dr. Hertz' mind, in its sympathy and breadth, typified the culture which ultimately will regularize and civilize human relations.

Pacifist?

Yes.

Free trader?

Vec

Anti-immigration restrictionist?

Yes.

But let him talk:

"Only lunatics believe in war. We can make a choice; we can choose war and destruction or peace and construction. We can choose peace and self-respect or war and a consciousness of ignominy. I do not speak of wars of defense; one attacked has an indefeasible right of defense. I speak of mankind's general attitude to war. My argument is that mankind, by taking definite thought, and by the resolute pursuit of categoric policy, must get rid of war. It is the sole test of civilization; it is the only disproof of savagery."

Dr. Hertz' elbows rested upon the arms of his chair, his hands were clenched, he leaned forward in a posture of great earnestness.

"Tariffs," said he, resuming an upright position and folding his arms, "what good do they do? Restrict trade and cause inequalities in prosperity—those are the things they do. Everywhere they are vain in the end, for they raise prices in the protected countries until foreign goods flow in over the tariff walls. This whole artificial battle against economic law is a battle against the prosperity and the happy relations of peoples.

"Tariffs build up superfluous and uneconomic industries. If an industry cannot exist without protection, that very fact proves its unfitness to exist. For the prosperity of any such industry somebody must pay unjustly. The goods such an industry produces should come from the quarter where, for physical or mental reasons, they can be produced best and at the cheapest price. Tariffs represent just one thing—privilege looking after itself at the expense of the consumer.

"When will the world understand the complementary nature of peoples living in different historical, geographic, and climatic conditions? When will statesmanship remove the man-made barriers which prevent such peoples from profiting by their natural advantages? These peoples want to be neighborly. They want to help themselves by helping one another. They are actuated by the economics of instinct. They are the true economists. They bow to the majesty of natural law.

"Witness the damage done, economically and, therefore, humanly, by the artificialists of Versailles. Economic units were cut into shreds. Politics rode roughshod over the living bodies of Europeans. Austria was mangled. Her peoples, naturally united, were torn limb from limb. Austria has cotton spindles—spins yarn. This yarn, paying a duty, is exported to Czecho-Slovakia, which weaves it into cloth. This cloth is sent back to Austria, paying a duty. Austria makes it into

suits and sends them, paying a duty, to Czecho-Slovakia to be dyed. Then Czecho-Slovakia, if the suits be not sold within her own borders, exports them and they pay another duty. Three or four or more duties are imposed before the goods reach the consumer, and the consumer pays everything—the cost of the raw material, the cost of all the processes of manufacture and dyeing, the cost of the many tariffs, the cost of carriage and repeated handling. It is economic insanity.

"It is amusing to note how tariffs and immigration laws work sometimes. My father was a manufacturer of mother of pearl here in Vienna. He had a market in America. The McKinley tariff hit his business. My father would have transferred his mother-of-pearl workers to the United States, but the American immigration law said, 'No.' America, according to her politicians, was to have neither mother-of-pearl nor mother-of-pearl workers from Austria. The result was that my father's industry revived. Americans wanted mother-of-pearl. They would have it. They wanted it from Austria. The only difference was that the American tariff made them pay more for it.

"Austria produces more intellectuals than she needs; some countries produce less than they need. In a sanely-ordered world, our surplus of intellectuals would be permitted to emigrate to the places where they were needed. Austria also produces too many workers of a certain class—artists. These persons are without rivals in their own fields. The world needs them. The world needs Austria's finely-educated people—her teachers, scientists, engineers, doctors, surgeons, musicians, handicraftsmen. Twenty thousand educated and gifted persons should go out of Austria every year to enrich mankind—but, immigration bars are up! Mankind is going to protect itself into perfection!

"It has been said that Austrians are lazy. I ask you to walk through the streets of Vienna and view the goods on show in the unending lines of windows. See how ingenious they are. See how varied they are. See how beautiful they are. See what wealth of artistic feeling and power, what patience, what labor, they have entailed. See these things—these characteristic products of Austrian genius and toil—and write down your own opinion of the impression that Austrians are lazy. They may appear to be lazy. They certainly appear to be easy-going. But whoever works by inspiration must await the inspiration, and Austrians work by inspiration—it is the artist's way. Austrians work infinitely hard in making beautiful

things. It seems almost impossible for them to make an ugly thing. And beautiful things are not made by lazy hands.

"It is my conviction that anti-immigration laws harm those who make them not less than those against whom they are made. They, like tariffs, are restrictive. They deny new blood, new vigor, new germs of enterprise, new light. All races and nations have their primordial contributory virtues and uses in our common world. None of them—not even any individual—is self-sufficient. None of them can monopolize good, for none has it all. Enrichment comes, not from shutting out, but from letting in.

"I do not mean that any nation should admit the derelicts of another nation—the physical, moral, or mental deficients who might wish to emigrate. No world enrichment could result from a shifting of such poverty one way or another. My plea, for the new world as for the old, is that tariff and immigration trammels shall be consigned to the limbo of archaic knowledge and thought, and that thus a wide, free way shall be opened for those international adjustments and understandings which are the price of any conceivable lasting peace."

The Heart of Europe

WHAT do economists mean when they refer to Austria as "the heart of Europe?" How many people in the United States have been in the habit of thinking of Austria as the heart of Europe? Has not Austria meant to most Americans a rather remote political, social, and economic periphery?

If Austria is the heart of Europe, Vienna is the heart of the heart of Europe, for Vienna is the heart of Austria—of the Republic of Austria since the world war, as it was of the monarchy of Austria-Hungary before that cataclysm. Of the republic's 6,526,600 inhabitants—the monarchy's population was 50,000,000—nearly one-third—1,842,000—live in Vienna.

Eighth city of the world in respect of population—Moscow standing just ahead and Philadelphia just after it—Vienna well may advance a claim for first position in respect of beauty. And Vienna is not only a city of beauty. It is also a city of industry. It has within its walls about 3,000 factories, while in the surrounding province of Lower Austria are 2,000 more.

Vienna, indeed, together with its adjoining manufacturing districts, belongs to the great industrial agglomerations of

Europe. Its 3,000 factories are supplemented by many thousands of small workshops. Art in industry, forms of manufacture requiring skill, quality goods, are Viennese specialties. The city and province are famous for their machinery, metallurgical

products, paper, furniture, cotton, and leather ware.

Economists speak of Austria as "the heart of Europe," because it is almost equi-distant from the western and eastern, and from the northern and southern, inhabited ends of Europe. It is looked upon as a bridge, in the language of Dr. Carl Brockhausen of the University of Vienna, "between western and eastern Europe, between the mountainous and flat countries, between industry and agriculture, nay, even to a certain degree between culture and non-culture." Dr. Brockhausen does not think Europe can do without Austria. "It has tried," says he. "Political influences sought to shift the bridge to another spot. Nature said, 'No,' and nature's 'No' is final."

Reduced as she was by the treaty of Versailles, which removed from the rule of Vienna nearly 600,000 kilometers of territory and almost 44,000,000 people—Czechoslovaks, Poles, Magyars, Jugoslavs—Austria remains one of the major economic factors of Europe. Both her industry and her finance count—her finance, particularly. She has the financial experience and speaks the languages which the west and the east need in dealing with each other. "Our young republic is like a tree whose branches have been lopped off too roughly by a somewhat radical gardener," says Dr. Brockhausen. "Our tree may seem in decay, even dying, but the vital force lives on at its heart."

Vienna's voice will be heard in the great international discussions of 1927 and of subsequent years. Her point of view, springing from her territorial position, her history, her distinctive spiritual and mental powers, and especially from the revolution in her condition wrought by the war, is expected to make a lasting contribution to economic and financial knowledge. Austria has navigated difficult and dangerous straits. There were those who thought, and there may be those who still think, her fate doubtful. How did she steer her course? In the answer to this question lies the contribution she will make to international understanding.

Austria-Hungary had extensive coal mines and fertile fields when the war burst upon Europe; of these possessions, in the main, she was deprived by the peace treaty; they went to the Succession States, Czecho-Slovakia, Poland, Hungary, and Jugo-Slavia. Austria lost even some territories populated

entirely by German Austrians. Moreover, a great part of the accumulated wealth of centuries had vanished through war and inflation. On top of all this, and, from the immediate practical standpoint, worse than all this, the Succession States began to institute prohibitions and to seclude themselves within tariff walls.

Austria was paralyzed. The whole Austro-Hungarian economic unit—a structure which had arisen through generations of manufacture, trade, and finance—was shattered. Needing food and raw materials—necessities purchasable, in the ordinary way, only by means of Austrian exports against which the old markets had been closed—Austria perforce resorted to the unlimited printing of banknotes, and these, in the end—as, of course, was inevitable—involved the historic Austrian currency system in disaster.

League of Nations intervention, backed by an international loan, saved the situation. This development took place in 1922 and very shortly established Austrian currency as the stablest in Europe—stabler than even that of sterling, which fluctuated slightly following London's return to a free market for gold. Temporary prosperity, issuing in over-speculation, gave way to depression affecting the whole of Austria's economic life, and since 1924 the country has been struggling, with gradual success, toward an industrial and commercial revival based upon the altered conditions in Europe and throughout the world.

Austrians always have been proud of their banks, and these soundly-managed and widely-connected institutions have given a good account of themselves from the first days of the republic's trials. Austrian banks, time out of mind, have been the keystone of Austrian applied economics, not only financing enterprise, but initiating and conducting enterprise, either directly or through subsidiary business organizations, functioning in the republic and all over the States of the former monarchy. Despite a loss of eighty per cent. of their pre-war capital, some of the largest banks show in their first gold-standard balance sheets profits ranging from six to fifteen per cent.

Improved though the Austrian outlook is, the nation still has 200,000 unemployed on the dole and 50,000 receiving outdoor relief—facts which mean that out of every twenty-four Austrian citizens one is living on public money. Yet the budget of the country is balanced and its gold schilling unshaken. Trade deficits in the republic are chronic, amounting to \$150,000,000

and more a year, but these are offset to a considerable extent by "invisible exports"—450,000 foreigners visit the country each year—and by the profits of Austrian banks and private persons living in Vienna or elsewhere in the republic and having large estates and business investments in Czecho-Slovakia and

Hungary.

Besides, Austrian ability and energy rapidly are mastering the new situation in which they find themselves—substituting hydro-electric power for the coal lost, extending agricultural activity as far as possible in an extremely mountainous country, further developing forestry and animal husbandry, and generally using the artistic gifts and the productive efficiency of Austrian labor in a manner to neutralize to the greatest extent practicable the deficiency of raw materials.

What one sees growing up on the Danube, between the Lake of Constance and the plains of Hungary, is another Switzerland, small like Switzerland, gorged and peaked like Switzerland, calling to the traveler as Switzerland calls, lacking many raw materials—though not so many nor in such quantities—

as Switzerland lacks them.

Austria has more cultivable land than has Switzerland. Austria has one-quarter of the coal and all the iron she needs, whereas Switzerland has neither coal nor iron—must import of both all she uses. Switzerland's urban population is a larger percentage of the whole than is that of Austria. Switzerland's tourist earnings are substantial, but only seven per cent. of her national income. Both countries are about equally rich in the potentialities of water power. Where the western Switzerland beats the eastern, as the eastern now stands, is in her century of experience of the peculiar problems and opportunities of a predominantly mountainous country. But Austria is learning.

Shattered Ant-Hills Rebuilding

DEBUILDING.

Constant, impatient, almost feverish rebuilding.

It dramatizes, emotionalizes, the current life of the whole of Europe, and not least that of the Republic of Austria—picturesque, impressive, and important fragment of a great empire.

By the earthquake of the world war the human ant-hills of Europe were shattered. Some were damaged more than were others, but none escaped. Material structures fell. Moral structures fell. Mental confusion spread from the Baltic to the Mediterranean and from the Urals to the Atlantic.

"Human ant-hills in course of reconstruction," applying to European countries in general, applies with especial force to Austria and her sister States of the Danubian group. Agriculture is undergoing re-examination and extension. Livestock raising, dairying, and poultry farming are receiving increased attention. Forestry, waterfalls, electrified railroads, improved highways, new industries created and old ones intensified, keener and more constructive banking—all are features of the rising and newly-oriented economic and financial order.

So much for the broad material aspect.

Quite as interesting and significant is the movement in the moral sphere. Here, too, prevail vigorous questioning of old theory and practice and a strong disposition to find common ground at a higher ethical level. Thinkers are discussing the ethics of nationalism, of majority despotism, of imperialism, of political sundering of economic unities, of tariffs, of drastic anti-immigration laws.

On the intellectual or philosophical side, also, the European ant-hills are re-building. In this work, as in the material and moral, much building stuff once regarded by many as good enough now generally is rejected. It is seen, for example, how non-resistant is Marxian socialism under shock. It is seen how Leninism or bolshevism can bring a great nation to industrial ruin and starvation. Marxism and Leninism are rejected of the new European builders. The doctrine of the general strike is rejected. The theory that labor's gain is capital's loss, and vice versa, is rejected. Militaristic philosophy is rejected. National isolationism is rejected. No one can tell all the materials which finally will be accepted by the new builders, but it seems safe to assume that they will be such as to make the ideologic structures of the second quarter of the twentieth century much less vulnerable than were those of the first quarter.

Austrian thought, so far as I was able to sound it, will bring to the councils of the world an advanced and clearly-conceived liberalism. Dr. Friedrich Hertz, Dr. Carl Brockhausen, and Dr. Karl Hudeczek—to name only three of Austria's authorities in political economy—are thoroughgoing democrats. Their politics is as broad as their economics is orthodox. They believe in peace. They believe in popular education and liberty. They are both practical and humanistic. They are patriotic,

but interpret patriotism as in no sense at war with—indeed, as naturally and permanently at peace with—an international enthusiasm which will suffer no difficulty or danger to defeat the ideal of organized world harmony as the master asset of mankind.

None of these men, one hardly need say, is attracted by Mussolini or fascismo. Fascismo they regard as a reversal of human progress—a return to the mastery of one or the few and the slavery of the many, with hopeless moral degradation for the latter. Mussolini excites suspicion and a certain amount of dread in Austria. Persons of all grades and shades of opinion ask, "What will he do? What does his bluster mean? Is he a loyal European, or might he one day organize mischief with the aid of warlike Mohammedans? Is fascist Italy's membership of the League of Nations Wilsonian or Machiavellian?"

Mussolini, to the Austrian eye, is a cloud on the political

horizon of Europe, if not of the world.

And Austrians—German Austrians, who make up the overwhelming bulk of the citizens of the republic—are distressed in mind over the situation of their blood-kin in the south Tyrol. It is claimed that ninety-seven per cent. of the inhabitants of this territory are Germans, and that they are not permitted to teach their children the German language. They are represented in Vienna as living under a "sheer tyranny." Their choice is declared to lie between racial extinction and emigration.

"It was not so before the war," said Dr. Hertz to myself. "German rule in the south Tyrol was tolerant. No Italian there suffered from a discrimination favorable to the ruling race. There was no enmity to either Italians or Italianism. The Italian language was allowed and encouraged in the Italian schools. No barrier was erected against the growth of the Italian spirit. No Italian custom was outlawed or in any way put under the ban. There was goodfellowship between the races."

Post-war minorities generally, in Dr. Hertz' judgment, appeal to sympathy and the sense of justice. He considers the minorities in the former Austro-Hungarian empire in a bad way. Their liberties, he asserts, are suppressed. They are, in effect, disfranchised. It is plain that Dr. Hertz and other Austrian experts lament the passing of many of the conditions, political and economic, which existed in Austria-Hungary and which disappeared with the formation of the Succession States.

"Not out of partiality for Austria do I feel so," said Dr. Hertz. "I should be ashamed of a desire for the happiness of

Austrians at the expense of Czechs or Poles or Hungarians or Jugoslavs. Our old cabinets in Vienna were balanced. The different racial elements in the monarchy, not as a matter of law, but as a matter of equity and wisdom, were accorded official representation. If outvoted, they at least were not excluded. They were recognized. They were heard. They had their influence. As for the several parts of the monarchy, they had their autonomy. It was not a bad arrangement. There was room for all spiritually, and there was economic prosperity.

"Everything is changed now. The minorities are politically excluded and dispossessed. Their vote does not count. They have no recognition, are not heard, are without influence, are not citizens in any modern or true sense. Can anyone call such a political situation enlightened or likely to endure? Austrian Germans deplore it, not as either Austrians or Germans, but as believers in democracy and in economics. If we go in for a tariff, for instance, it is only for defensive purposes, and in the hope that we may use it to wear down neighboring tariffs, dictated by narrow nationalism and militarism, and not by economics."

Dr. Hertz and others of his way of thinking will inveigh, in international exchanges of thought, not only against trade barriers and restrictions upon the movement of peoples from country to country, but against general schemes of reconstruction and pacification.

"What good is such a scheme?" asked Dr. Hertz. "We should proceed from the particular to the general—should be inductive before we are deductive. I should be disposed to give a lot for a good specific plan in the political or industrial domain, but I should give nothing for a general plan. Buildings get up brick by brick. Only specific plans work. Filene of Boston had a general plan for Austrian reconstruction. It was admirable only in intention. Carnegie, in my view, fell far short of what he might have done for peace, simply because he did not realize that only real trees planted in real soil bear real fruit."

Benes' Faith in Democracy

CZECHO-SLOVAKIA, surrounded by the combined territories of Germany on the northwest, Poland on the northeast, Rumania on the southeast, Hungary on the south, and Austria on the southwest, is about the size of England (54,900)

square miles) and about as green, broken, and beautiful as England, but its population is only 244 persons to the square

mile, whereas that of England is 701.

Of Czecho-Slovakia's 13,588,830 people (slightly more than twice the population of Austria) some two-thirds are Czecho-Slovaks, nearly one-quarter are German, and the remainder are Magyars, Ruthenians, and Poles. Prague, capital of the country (which declared itself an independent republic on October 18, 1918) is a thriving and charming city and has a population of 677,000, approximately one-third that of Vienna, formerly

the imperial city of Austria-Hungary.

Agriculture, industry, commerce, and finance in Czecho-Slovakia all show signs of vigorous stimulus and control. Czecho-Slovakians, in other words, are active toward laying the foundations of a stable and prosperous free civilization in their part of central Europe. Their farmers are experimenting, their industrialists concentrating and reaching out, their traders on the seas, their financiers multiplying and diversifying Czecho-Slovakian banking activities and holding the Czecho-Slovakian crown steady at 164 to the pound sterling.

"Big business" does not terrify these young republicans. They are going in for it at home and abroad. But they keep their eyes on it; they do their best to make sure that it cheapens—does not make dearer—production, distribution, and selling prices. "Big business," as the Czecho-Slovakians reason, is made for the people, not the people for "big business." Czecho-Slovakia has joined the European superphosphate, rail, and steel cartels.

Political thinking goes hand in hand with economic thinking in Czecho-Slovakia. Laissez-faire seems quite foreign to the Czecho-Slovakian mental habit. "Let it alone," they say, "and nothing will happen. The post-war world is not, and cannot be, a laissez-faire world. It is a world in which only those who swim, and swim with all their might, can hope to keep their heads above water."

Czecho-Slovakians, one almost feels bound to say, are the fascists of central Europe in their faith in creative will-power.

One of the great minds of this republic, and of the whole field of statecraft, is that of the foreign minister, Eduard Benes, born in Bohemia forty-three years ago. Educated at Prague, the Sorbonne, and Dijon, an economist and sociologist by special training and experience, M. Benes has been the foremost protagonist of Czecho-Slovakia, and one of the most powerful supporters of the League of Nations, since the opening

days of the war, and particularly during and since the peace conference at Paris.

Bent at first upon Czecho-Slovakian liberation, M. Benes, once this was established, set about making friends for his country, not only among the other States of the dismembered Austro-Hungarian monarchy, but far and wide in the outer world. "Build up here at home," said he to his countrymen, "and weave mutually beneficial relations with every neighbor you have in central Europe and beyond. Business, sound finance, prosperity, peace—you find them at the other pole from narrow nationalism and war."

Czecho-Slovakia has ratified trade conventions with Poland, Denmark, Austria, and Japan. Her disputes with Germany, if any, she arbitrates. She is seeking firm bases for friendship with Hungary. She has concluded provisional commercial agreements with Turkey, Hungary, and Canada. "We are doing it all," affirms M. Benes, "in the spirit of Locarno, which was a step forward for Europe and for humanity. Political and economic cooperation alike is our goal."

Intellectually, the most interesting fact in central Europe lies in the contrasting points of view of Vienna and Prague. Vienna is convinced that the dissolution of Austria-Hungary was a political and economic misfortune; Prague, like Warsaw, Budapest, and Belgrade, believes that liberation of the Czechs, Poles, Magyars, and Jugoslavs was an act prerequisite to psychological conditions offering any hope of peace or large development among the Danubian populations.

Vienna is bitter over the tearing asunder of the Austro-Hungarian system of life and labor. It avers that all the parts served the whole and the whole all the parts. It sees the parts formerly secure under one flag and now insecure under five. It deems the disunion an invitation to fascist Italy to fish in troubled waters by means of Albanian tackle. It names over the tariff obstacles to normal economic relations in the Danubian area, and reiterates its protest against what it terms "the hard lot of German residents, whether in the majority or in the minority, in foreign countries," declaring that non-Germans never were treated so in Austria-Hungary.

Liberty, or the impulse underlying liberty, sounds back across the chasm: "Your argument is falsely based. The parts of the old empire chafed under unsympathetic and unintelligent alien impingements. As it was not a natural, and hence not a harmonious, union, so it was not an instinctively cohesive and strong union. Austria-Hungary united was a far more

potent incitement to alien aggression than is Austria-Hungary disunited, for the new States are not only passionately loyal to themselves, but keenly conscious of the importance of Danubian integrity to them all."

And what of the economic position from the point of view of

Prague and other capitals in the Succession States?

Their contention is that liberty and prosperity, in the long run, move on parallel lines. Imperialism, *in toto*, is put aside as historically interesting, but contemporaneously inapplicable and mischievous.

"We must use our freedom—all of us," argues M. Benes, "to find and to put into force policies reciprocally advantageous. Such policies can be found only through unfettered negotiation—not through unilateral imposition by imperial authority. It is the principle of home rule, of democracy, of common sense and common justice. It involves the functioning of local knowledge—the only knowledge, politically and economically, acceptable for incorporation in a free State."

Vienna took for granted its cultural superiority, and its consequent presumptive right to large authority, in the old

empire.

"Imperialism," comments M. Benes. "To Austrian Germans, for whom I have every admiration, the rest of us were 'backward peoples.' That will not do. We must get together on a platform of mutual respect, tolerance, and goodwill. It is a bedrock fact in human relations, whether between individuals or between nations, that neither must dominate or force tribute from the other—unless you want trouble. Only free individuals and free nations can see to it that they are not dominated and not placed under tribute. We peoples of central Europe, if we are wise—and I think we are—will find out how to help ourselves by helping one another, and thus establish such an international comity in this part of the world as will not exercise any magnetic effect upon wilful trouble makers."

Our world, since the struggle of 1914-18, according to M. Benes, is "a new world of cooperative, as opposed to competitive, political and economic power." The system of political blocs, in the opinion of this statesman, has failed. He sees the principles of the League of Nations as "alone capable of insuring peace and the general welfare dependent upon peace."

And, as a veteran adherent of the League, he asks: "How could I be insensible of the rights of minorities—for which the

League is notoriously solicitous—so long as these minorities obey the League in keeping themselves free from seditious intrigue and propaganda? Of the new democratic spirit in the world no country has a fuller measure than has Czecho-Slovakia."

Stresemann's Policy of Understanding

TO HERR STRESEMANN, German minister for foreign affairs—one of the great rebuilding forces of post-war Europe—the new political economy of the world is summed up in the word "understanding."

"Political economy," remarks Herr Stresemann, "is not, if we elect to be quite literal, identical with understanding; but what is the use to talk about political economy—what is the use to talk about civilization—without understanding?"

Herr Stresemann has been fighting for understanding. It has been the great struggle, and the great contribution, of his public career. It was not easy—this fight by the chief of the German foreign office to relegate suspicion and animosity to a position of relative harmlessness in European, and especially Germano-French, relations. Courage and steadfastness of a high order were indispensable.

Germans did not feel that the war ended with the armistice of November 11, 1918. It was their view that what the allies did, in the first years after the armistice, amounted to a continuance of the war, with what Herr Stresemann has described as "other methods." These "other methods" were so objectionable to the German nation that any German statesman who sought appeasement with the allies sought it at the cost of

unpopularity and hostility at home.

"Always," says Herr Stresemann, "I had in mind the prospect of international evolution. Clearly, this evolution could proceed to a glorious, even a tolerable, consummation only on a slowly-opening pathway of understanding. Others saw as I saw—some of our former enemies, I mean. We divested ourselves of old hates and worked for peace. Substantial progress has been made—more, indeed, than we at first dared hope—but well-disposed men still are struggling with those of an eternal yesterday, ever peering into the past, unable to learn."

Note some of the fruits of Herr Stresemann's policy of understanding. It has led, via the abandonment of passive resistance in the Ruhr, across the M.I.C.U.M., agreements and the experts' report, to the London conference and the Dawes Plan— "so heavily opposed," says Herr Stresemann, "so burdensome in its requirements, yet so great an alleviation compared with the former reparation policy pursued toward Germany."

The Ruhr evacuated, the first Rhineland zone evacuated, the entire Rhineland moving toward evacuation—milestones on the road of Herr Stresemann's policy of understanding. But this is only the first stretch of the road. It is a long road, as it runs forward into depressions and over barriers in Herr Stresemann's imagination. Instead of stopping at a reassertion of German sovereignty over the Rhineland, and perhaps over other territories once German, this contemplated road of understanding goes on to the limits of Europe and of the world.

You have read about Thoiry. What is Thoiry?

It is a place in the neighborhood of Geneva where two celebrated statesmen met in 1926, and it is a political and economic symbol. Herr Stresemann and M. Briand, French foreign minister, met at Thoiry and forever put it on the international map. Representing old foes, and old foes who readily might become new foes, these statesmen sat down as friends and explored with diligence the possibilities of adjustment and of permanent amity between their respective peoples.

Why did they meet near Geneva?

Here is where the symbolism of Thoiry comes in. Thoiry's geographical proximity to Geneva was meant to signify aspirational nearness of the two places. Stresemann and Briand, in other words, conferred at Thoiry in the spirit of the League of Nations, believing, as the German minister has said, that "upon the policy of understanding depended the future of Europe." Herr Stresemann: "It was by no means accidental that we held our conversation near Geneva."

Thoiry, like Geneva, implies hope for the reconstruction of Europe and the world in accordance with sound plans and specifications. It implies more—determination to achieve this reconstruction, if human wit and courage shall not fail. Thoiry and Geneva are great and stirring names. They speak of tremendous collective moral forces—of national realization of international responsibility, of popular conviction favorable to fair dealing among peoples, of a real, if nascent, humanity wider than any single political frontier—and they speak of the too-rare and very beautiful virtues of disinterestedness and courage in the bosoms of individual public men.

Why, for a little time at Thoiry, Stresemann was a Frenchman, and Briand was a German; and the German is never likely again to be quite so German, nor the Frenchman quite so French, as he was before! Both knew what chauvinism would say. They knew it would say in Germany that Stresemann had been "bested." They knew it would say in France that Briand had been "bested." But they were met at Thoiry to try to solve a problem which they knew chauvinism never could solve, and they put aside the rags of politics for the robes of statesmanship.

It is a new outlook—non-tribal, humane. It has its dangers, no doubt; but Stresemann and Briand remembered the dangers—and disasters—of the old diplomacy.

"That diplomacy," says Herr Stresemann, "followed the motto, 'Trust nobody and deceive everybody.' We had had enough of it. We knew it would not rebuild Europe or pacify the world. For the policy of suspicion and sharp dealing, willingly taking all the risks involved, we substituted the policy of trust and mutuality of consideration. I believed in Briand, and I think he believed in me, and Thoiry, for what it may be worth, was the result."

Understanding between Germany and France Herr Stresemann calls "the pivot of any scheme of European settlement and revival." He asks his countrymen to trust France, and

asks the French to trust Germany.

"It is the only way," he goes on. "It is the only way because it is the only peaceful way. Peace foundations are the only foundations. Already economic peace-makers are leaping all boundaries and striding to great formations that displace the anomalies of the peace treaty. These economic peace-makers, who have the sympathy and support of the German government, are on a new line, and, in my opinion, a right line, but they should listen to this warning: 'Let there be no combination of Germans and certain foreigners to wear down non-included countries or economic groups by sheer competition.'"

Herr Stresemann is fearful of great industrial solidarities in deliberate conflict with other similar aggregations of power.

"This sort of thing," he declares, "collides with the great principle upon which an enlightened thought is resting its faith—the principle of international and inter-industrial cooperation. At the heart of competition is the germ of war, at the heart of cooperation the germ of peace. Germany wants peace. We want no European continental trusts or combinations in battle array against British or American industrial enterprise. We have no ideas of economic exclusiveness. Thoiry, though a lesser place, does not foster or dream of a lesser policy than that of Geneva—a policy whole-heartedly dedicated to the doctrine that only a cooperative civilization can be a progressive or safe civilization."

Ignorance, Malignancy, and Partizanship

IGNORANCE or malignancy, and not seldom more or less of both, continually float on the tides of international discussion, according to Herr Stresemann, German foreign minister.

"Newspapers are often at fault," says he. "They look for 'stories.' They work under an editorial urge for exciting matter. There are exceptions. I trust the exceptions one day will cast the less responsible press into eclipse. One of the brightest stars in the sky of hope, to my mind, is that of a rise in the morality and the intelligence of the makers of the world's newspapers."

The voice of statesmen wherever one meets them.

"But the newspapers are by no means to be blamed for all the evil flotsam and jetsam on the international waters," continues Herr Stresemann. "Politicians sometimes sin; there may be those who ask, 'Do they ever do anything else?' The truth is, of course, that the world has some good politicians, as it has some good newspapers. One of the serious troubles about the press is that it is wont to circulate, not only its own, but other people's rubbish!"

German officials of high rank assert that German policy since the war, forgetting everything before, has been misunderstood and misrepresented to the point of almost unrelieved

travesty.

"It has been said over and over again that republicanism and peace sentiments in Germany were a sham," remarks Herr Stresemann. "We were going back to the monarchy. We were making secret and maleficent treaties. We were camouflaging a huge industrial and military preparation for a renewal of European strife. All this talk, this assertion, this speculation, had nothing to do with what was true in Germany. We only wanted to make our institutions succeed, to make our nation safe, and to seek prosperity and peace.

"Industrial amalgamation in Germany-the formation of great horizontal, as distinguished from vertical, trustslends itself to mischievous distortion. It provokes such words as 'monopoly,' 'oppression,' 'crushing competition,' 'economic world hegemony,' whereas it is merely the objective evidence of Germany's effort to recover and to meet the obligations imposed upon her by the war and its diplomatic sequel.

"From friendly association with these trusts did we wish to exclude Great Britain, for example, or the United States? We did not and do not. Great Britain stood aloof of her own choice; that she is not a party to the international industrial agreements of Europe is due to her own decision. With the United States the situation is the same; we want no industrial or commercial warfare with her or any other power. German economics has advanced beyond the primitive conception that sellers can prosper without correspondingly prosperous buyers.

"Wild statements have been broadcast concerning Germany's relations with the Soviet government. Here, too, it has been alleged that we were covering up vague iniquities—actual or embryonic plans for an assault upon the peace of Europe. All sheer fantasy. Our relations with Russia, as with France, are devoid of any sort of hostile or monopolistic purpose affecting any nation or group of nations in or out of Europe. Once for all, let me repeat that Germany, without any exception, is striving for a reorganization of the world on the foundations of permanent peace."

Herr Stresemann cites, as an example of party mischief in Germany, the utterances of opponents of the government rela-

tive to Germano-British relations.

"Formerly," says he, "the opposition twitted the ministry with subservience to Great Britain. Germany, in foreign affairs, was the tail of the British kite. The British ambassador in Berlin was 'Lord Protector of Germany.' Foolish, of course, but not more so than is the supposition that German trade can, or has any desire to, pursue a policy of disaccommodation and studied competition, not to say destruction, with reference to British trade. No nation, if one may be forgiven such a platitude in economics, can erect an industrial and commercial greatness for itself upon the ruins of another nation or group of nations. Prosperity anywhere in the world is, at any rate, a promise of prosperity elsewhere, while poverty is a universal misfortune."

In Herr Stresemann's world politics one finds a particular disposition strongly indicative, I conceive, of his sincerity. This disposition appears in his wish that the United States of America shall play an intimate and unrelaxing part in the reconstruction of Europe, and in the future governance of the world. America, by historical good fortune untainted and untangled of European feuds, complications, and inter-State plottings and balancings, is psychologically freer than are the European States to be straightforward and fair. Whoever, in high politics, courts close American inspection may be assumed to favor objectivity and honesty; and Herr Strese-

mann courts such inspection.

"In the labor to which I look forward," avers the German statesman, "I desire the confidence and the support of all powers, and especially the United States. The United States always has regarded the pacification of Europe as one of its aims. Moving toward that objective, it lifted the reparation problem out of the slough of non-economic and destructive politics. There is no discord between American policy and German purpose. There is no nook or corner of German world ambition into which I should be ashamed for the United States or any other high-minded nation to turn the flashlight of its study. I say so because the alpha and omega of German policy are justice, liberty, and peace."

Much as Herr Stresemann prefers the Dawes Plan to what preceded it, there is no secret about his dislike of the plan. He considers it grievously burdensome to Germany. He would be happy to have it revised in the sense of fixing the total sum of Germany's reparation indebtedness, and, doubtless, of reducing the annual payments. His views of the plan, considered from the standpoint of economics and of political expediency as well, probably do not differ materially from those of nearly all European, and many non-European, including American, economists. In other words, not much boldness is required to attribute to Herr Stresemann the opinion that the world would profit, both economically and politically, if the Dawes Plan and all the war debts were jettisoned.

Great Britain says to France and to Italy, "So long as, and to the extent that, America makes us pay, you must pay us." France says to Germany and the rest of the world, "We cannot pay our creditors, Great Britain and America, except as, and to the extent that, Germany pays us." To Germany and the

rest of the world Italy says precisely the same thing.

France staves off ratification of the Mellon-Bérenger agreement, because it does not make her payment to America conditional upon Germany's payment to her, and contains no such clause for safeguarding the franc as the Dawes Plan

contains for safeguarding the mark.

Italy, legalistically, is less meticulous than is France about her financial relation to Germany and America respectively, but no economist in Italy, nor any member of the Italian government, expects Italy to pay the United States except, in time and in proportion, as Germany pays Italy. It is held in Rome that Count Volpi, when in Washington, made it perfectly plain to the American Debt Funding Commission that Italian payments to the United States really must have their source in Germany.

All Europe, in fine, looks to America for any step pointing to a clarification or amelioration of Germany's reparation

burden.

On What German Experts Are Agreed

GERMAN statesmen, economists, and financiers are agreed:
1. That the moral argument relative to the War Debts runs unanswerably against the American official view.

2. That the political argument runs likewise.

3. That the economic argument is concordant with the

moral and the political.

Not every German expert, when addressing a non-German, speaks of these matters with entire freedom. Considerations of courtesy, tact, expediency, are still powerful restraints among responsible Germans in their intercourse with citizens of countries with which their own was recently at war. But their opinions can be drawn out by sympathetic, intelligent, and patient inquiry, and there can be no doubt that these are indicated accurately in the foregoing tabulation.

It strikes the German mind that, once the United States had gone to war on the side of the Allies, she was in duty bound to throw all her resources—and more especially her financial resources—freely into the struggle. Germans simply cannot understand why the United States charged the Allies for her money and not for her men. Moreover, Germans see eyeto-eye with Britons, Frenchmen, and Italians in the view that, for more than a year after the Americans entered the war, the United States was defended against the Central Powers by European manhood.

"When," asked one of the best-known German international figures of the day, speaking to myself in Berlin—this man is as

highly respected in non-German Europe and in America as he is at home—"when are the Americans going to realize that this defensive service was rendered to them? And when are they going to face the question of attempting to make some return for it? It was a very costly, a very bloody, service."

That is to say, this noted German believes the Americans owe to their European associates in the war a great debt which the American people, broadly speaking, do not recognize as due.

"It is inconceivable to me," added the speaker, "that the point of view of Europe on this subject can remain forever unintelligible to the American public. Apparently, American economists and bankers, with some exceptions, see the matter as we see it. Indeed, I believe the most cogent arguments ever produced in favor of the cancellation of the debts have been produced by Americans. These arguments, whether regarded morally, politically, or economically, seem to me the last word in good feeling and good sense."

Suggest to this critic that the pro-cancellation argument contemplates a wholly one-sided material sacrifice, and he re-

plies:

"Not at all. If America owes this debt for service rendered, she ought to do what is possible to pay it, even though it did involve a wholly one-sided material sacrifice. But, when one states that the argument for cancellation is a sound one, not only in morals, but in politics and in economics, one affirms essentially that cancellation would be materially advantageous all round. Cancellation would promote political pacification and industrial rehabilitation throughout the world, and from these inestimably valuable gains no nation would profit more certainly or richly than would the United States."

Secretary of the Treasury Mellon's reasoning respecting the question of debt cancellation has not seemed to Germans, nor to Europeans generally, worthy of this official's reputation at home and abroad. Mr. Mellon argued that the executive or legislative representatives of the American people had "no right to give away the property of the people." Touching this point, the European controversialists say:

"Officials and legislators, in a representative democracy, have a right to use their best judgment in the interests of that democracy; for this duty, as a matter of fact, they are chosen or elected. Furthermore, the American Debt Funding Commission recommended, and the Congress approved, financial concessions to certain of the Allies. It is claimed that Great Britain's debt was reduced some 25 per cent., Belgium's about 40 per cent.

and Italy's 75 per cent., while a 50 per cent. reduction is proposed for France. If these were real concessions, did they not amount to 'giving away the property of the people'? And, if the Commission and the Congress had a right to 'give away the property of the people' to the extent of these concessions—in the case of Italy, three-quarters of the entire debt—had they not an equal right to 'give away the property of the people' to the full extent of all the debts?

"Everything, as we should think, depended upon what the Commission and the Congress judged to be in the interests of the people. Evidently, they considered the concessions in the interests of the people, and hence the concessions were made; they gave away public property. If they had thought that a total cancellation of the debts would be in the interests of the American people, would they have hesitated to promote those interests—to do their representative duty—because of the theory that they had 'no right to give away the property of the people'? We respectfully submit that, if Mr. Mellon, surveying the whole question, in its moral and political, as well as in its economic aspects, believed a total cancellation would be just and wise, he should have voted for it and avoided the argument that the Commission and the Congress had 'no right to give away the property of the people.'"

Germans are concentrating more and more upon the War Debts for the reason that, as they now see clearly, whatever shall be paid toward the discharge of these debts Germany

must pay.

Can the new republic support the burden?

Some men of distinction declare it can. Henry N. Robinson, co-author of the Dawes Plan, is of this opinion. Mr. Mellon appears to have no doubt of Germany's capacity to pay. American financial experts in Berlin have been astonished by the progress of the Reich and the constituent States during the past year in building up industry and domestic capital. But there is profound doubt in Germany and throughout Europe whether the resources of the nation, do what it will, can be forced to mount with the mounting payments of the Dawes Plan in the years ahead.

True, all payments have been made punctually hitherto, but "hitherto" is a weighty word in this case. If Germany's army of the post-war peace is small, her pensions are big, and she has 2,000,000 unemployed, numbering, with their dependents, according to the *Vossiche Zeitung*, 5,000,000 people. Besides, the amounts required of Germany up to date have been rela-

tively small. Their rising gradient is sharp—200,000,000 marks in the first year, 1,220,000,000 in the second, 1,500,000,000 in the third, 1,750,000,000 in the fourth, and 2,500,000,000—or \$625,000,000—in the fifth. These figures, according to a prosperity index number, may go even higher, but there is no provision for them to be lowered in the event of a falling-off in prosperity.

If Germany pays, she must win foreign markets on a huge scale, for she can transfer wealth into foreign currency only in

proportion as her exports exceed her imports.

"Where shall we get the necessary markets?" ask the German industrialists, economists, and financiers. "We cannot compel foreigners to buy from us. If they will not buy, or if those whom we are bound to pay beat us in the markets demanded for the liquidation of these reparations, then how can we pay? We need raw materials and foodstuffs; these must come first, else we cannot manufacture or live; and, surely, if we cannot manufacture or live, we cannot pay. And look at the tariff walls which block our path!"

It is easy to proclaim blithely, "Of course, Germany can pay!" But can she? And will it be good for other peoples,

if she does?

"Harder Work, Longer Hours, and Leaner Fare."

IN ESTIMATING the obstacles Germany must surmount in order to make the payments stipulated in the Dawes Plan, German thinkers, both of the academic and of the practical sort, take a serious view of the tariff walls now bristling over the whole industrial landscape of the world.

"Protection of home industries," long a popular and prevailing slogan in the United States, has become equally popular and prevailing in Europe. Twenty-seven European political entities have twenty-seven tariffs—man; more and much

higher than existed at the start of the Great War.

And, according to the Germans, a considerable number of these duties, while theoretically applying to the products of all countries, really apply to German specialties only. "In other words," assert the Germans, "the Dawes Plan says to Germany, 'You must pay,' and the tariff-makers say to her, 'You shall not pay."

To the awkwardness of the situation thus created no fair or far-seeing inquirer can be indifferent. If Germany meets her foreign obligations—of necessity, to be sure, first meeting the domestic needs vital to her national maintenance—she somehow must get over the tariff walls.

Article 248 of the Versailles Treaty makes reparations a first lien on the resources of all Germany. But how can they be? Germany has a million and a half of war victims; she has great numbers of old and decrepit people impoverished by inflation; she has a host of workers with their savings similarly wiped out; she has 2,000,000 unemployed and partially employed.

"We must feed these people," declare the Germans, "else there will be no Germany stable enough to pay anybody."

Another claim upon German resources has priority over reparations. By the arbitrament of war, Germany lost much which belonged to her organic industrial and commercial structure. She lost colonies. She lost shipping, docks, established businesses, credits, investments abroad. With these losses went vast quantities of capital. Finding herself with war-broken machinery, and poor, Germany borrowed from foreigners some 5,000,000,000 marks (\$1,250,000,000), involving an annual interest charge of \$87,500,000. This claim on German resources must come before the Dawes Plan.

German experts see no hope of great relief in deliveries in kind. Such deliveries, as British and French economists repeatedly have pointed out, tend to self-cancellation. The recipients of the deliveries find their home industries embarrassed commensurately with the volume of the deliveries, while the producers of such goods, getting nothing in return for them, encounter ever-increasing difficulty to supply themselves with the necessary raw materials. It is, in a word, an uneconomic device and consequently leads to economic failure. Germany's chief creditors, except for raw produce, seek little in kind from Germany. France's restored coal mines ended the chief allied demand for German materials.

It seems strange to the foreigner, but it is true, that Germans, as well as Italians, now frequently are heard talking, not only about tariff, but about anti-immigration law, obstacles to industrial recovery and expansion. Deprived of colonial outlets for her rising population—it goes up at the rate of some 600,000 persons a year—Germany faces restrictions upon emigration in every attractive part of the world. Thus her problem of looking after her own people becomes annually more onerous. Additional tools and working capital are cumulatively in demand.

It was a fundamental idea in the Dawes Plan that its provisions should not reduce the German people below a decent standard of living. It was another fundamental idea in this plan that German business should be restored so widely and firmly, and extended so vastly beyond the German boundaries, as to insure a constantly growing surplus of exports over imports. German experts affirm that neither of these ideas has been realized, and that the means of their realization, with rapidly increasing reparations in the approaching years, are yet to be developed. It is contended that the whole outlook for German foreign trade has changed for the worse since 1813, falling off disastrously, in particular, with Russia and with Austria.

One discovers no avowed purpose in Germany deliberately to denounce or resist the continued operation of the Dawes Plan. Such confidence as exists there—and it is observable in well-informed circles—that the plan ultimately will be revised or rescinded rests upon the opinion that the unworkability or general economic unwisdom of the plan will become plainer and plainer until everyone concerned will desire to see an end of it.

This, in the words of one of the ablest and most scientifically minded Germans with whom I was privileged to talk, is how

the present legalized situation is apt to define itself:

"As the Dawes Plan progresses toward maturity, adding yearly to our task of collecting within Germany, and, in one way or another, accomplishing the transfer from Germany to foreign money, of the reparation sums, we shall work harder, work longer hours, and live on leaner fare—in brief, descend in respect of our standard of living. We shall produce a minimum for our own, and a maximum for foreign, consumption. Germany will sink toward extinction as a market for foreign goods, and, by hard necessity, will fight to market her manufactures abroad, in spite of tariff walls and all impediments whatever.

"Harder work, longer hours, and leaner fare are the only possible answers to immigration exclusion and tariffs, in the case of a nation circumstanced as is Germany. Lowering standards of living, no matter in what part of the world they may appear, are not only bad, but dangerous. Disparity of these standards constitutes one of the gravest problems between the Occident and the Orient. Economic equilibrium—not disequilibrium—gives promise of stability and peace. Germans of intelligence and international goodwill do not like the

competitive factors of harder work, longer hours, and leaner fare. We trust our neighbors, of their own free will, may see fit to cooperate in such a solution of the post-war financial complex as will start an upward, rather than a downward, trend in the living standards of humanity."

It is the conviction of this first-rate man of affairs that narrow nationalism, fiscally expressed—i.e., tariffs—must be moderated, if Europe is to survive on the principles of modern society.

"Europe today," said he, "is little else than an economic mad-house. It is self-strangled. Economic streams are frozen. I detect little light in the gloom except that which shines from the disposition of statesmen—a disposition now, happily, quite general—to meet and discuss their problems in a spirit of friendship and of science.

"I am all for the conversations at Geneva. I am all for international conversations anywhere. I wait for the day when the newspapers of the world—the university of the peoples—will scorn, for any sordid reason, to exploit ignorance, prejudice, or hate among nations, whose interdependence is illustrated with almost every passing hour. Look at Great Britain's fearful coal strike, for instance. Did it help Germany? Yes; it helped us a little for a little while. But, if Great Britain had had no coal strike, her greater prosperity would have helped us a lot for a long while."

"Men Still Have Much to Learn"

HERR JULIUS CURTIUS, German Minister for Economic Affairs, one of the astute and dependable men of the Republic, deplores over-gloomy readings of the German business situation, but does not conceal his opinion that to represent this situation as "an easy one," or as one "evolving swiftly toward assured prosperity," is "merely foolish."

"We are working hard—yes," says he. "We also are trying to work intelligently. It is quite unmistakably necessary for us to work hard and intelligently. Just to list the difficulties we have overcome, and the difficulties still in our path, would be a task of much labor. We passed through the complete destruction of our currency and the subsequent trials of reorganization on the gold standard.

"It was an experience, I think, of unparalleled severity. Our people bore it, and extracted such uses as it afforded, in a manner above praise. Inflation strikes savagely at the habit of thrift, but the proverbial thrift of the German nation was neither destroyed nor gravely impaired. This trait of our people has brought about an astonishing amassing of German

capital in a very short time.

"German business has shown great resource. Exports have been forced up at a rate which hardly could have been expected. Nevertheless, pre-war figures remain a long distance off, and internal weakness—for there naturally and inevitably is this weakness—together with tariff walls at every point of the compass, and jealous nationalistic guarding of labor markets, cannot fail to hinder German development for an indefinite time.

"What is peculiar in our economic position is that we are faced with an unexampled transfer problem—the problem of making such surplus wealth as self-maintenance will allow transferable from reichsmarks into non-German currencies. How, that is to say, can we translate reichsmarks into lire, francs, sterling, dollars—translate them in huge amounts—

without endangering the gold parity of our money?

"This operation, as every student of exchange knows, is extraordinarily difficult. So far the transfer question has not become acute, but only for the reason that we took up large foreign credits—some 5,000,000,000 marks (\$1,250,000,000)—against the possibility of strain upon our currency. We are far from out of the wood in the matter of the exchange value of the reichsmark. Sooner or later, having regard to present and prospective obligations to foreign creditors, the question of protecting our money will become one of extreme urgency."

Herr Curtius, like Herr Stresemann, Dr. Schacht, President of the Reichsbank, and other Germans of high public responsibility, looks hopefully to forthcoming international discussions at Geneva and elsewhere, as sources of light upon the bewildering complications of the post-war financial situation, with its crucial bearing upon international political and economic relations. More and more insistently, by the course of events, as these men believe, will the real nature, the real delicacy, the real pinch, of colossal transfers of wealth across frontiers command the anxious thought of the world.

"We await the revelations of experience," says Herr Curtius. "They are needed. Nobody at present, so far as I am aware, has eyes keen enough to pierce this fog. The war taught men much; they had much to learn. The aftermath of the war will teach them much; they still have much to learn. Reasoning from precedents is of little worth in conditions unprecedented."

How heavy was the blow of inflation to German national economy is a story the half of which scarcely ever can be known to outsiders, if, indeed, to the average German himself. Summed up, inflation prostrated one of the most gigantic, vigorous, and rapidly-growing industrial structures known to history. Production was paralyzed, capital faded into something thinner than thin air, the economic heart stopped. Resuscitation, as Herr Curtius points out, has advanced a considerable way, but the restorative process, oppressed, as it is, by a fantastically abnormal world economic situation, has much farther to go, and across a region arduous and unexplored.

Strange faces—hundreds of thousands of them—people the labor fields of Germany. Whose are they? Whence have they come? What force, what upheaval, drove these multitudes—so to speak—into exile? Inflation was that force, that upheaval. These faces—or, at all events, a large number of them—belong to people whose economic home was in the *rentier* class. They were persons of independent means—persons who had saved, or inherited savings, and lived, as it were, on the work of their capital in the productive realm. Inflation wrecked the *rentier* world of Germany and set its inhabitants on the march.

These financially expatriated elements, no longer possessing capital to work either for them or for industry, are begging for an opportunity to work with their hands. They are in the labor market. They are with the great mass whose permanent orientation is toward jobs whereby individuals and families may live. Before inflation, they brought money to industry; now they ask money from industry. Before inflation, they helped to propel the mechanism of production; now they themselves are a part of this mechanism, which must find its propellants elsewhere.

And there are other strange faces in the ranks of German labor—not the faces of *rentiers* expelled from their former economic position, but the faces of men who used to wear the uniform of the German standing army. This army has been abolished. Some commentators call the abolition of the German standing army pure economic gain to Germany. It is not so simple as that. These soldiers must live. Formerly, industry furnished them a living indirectly through the medium of taxation; now industry must furnish them a living directly through wages.

Ejected rentiers and demobilized soldiers, counted in a body, amount to about 4,000,000 additional persons knocking at the doors of industrial opportunity in Germany—4,000,000 pairs of German hands more than before the war, reaching out for productive employment.

To abolish a standing army may be all to the good economically, but only on the condition that capital, raw materials, and markets afford the demilitarized men work at a living wage—not to speak of a saving, still less of a cultural, wage. Capital, raw materials, and markets are what Germany needs. And she needs them in colossal quantities. She needs them to feed, clothe, and house some 70,000,000 citizens, constantly multiplying; and she needs them for sinking funds and interest charges on public and private debts soaring beyond the limits of imagination.

"Yes!" some one cries out. "And she deserves all she is

getting!"

Ah, that is another story. That is looking backward. It is a view shaken by the thunder of guns and choked with the dust of war. It is well, perhaps, to look backward sometimes; but it is imperative, particularly just now, to look forward. And no forward-looking person can leave Germany, modern Germany, republican Germany, Germany so great in every human sphere, without the range of either his vision or his sympathy.

Germany, necessarily, rightly—and, as those who know her best implicitly believe, beneficently—will occupy a vast and vital place in the reconstructed world. She is in the League of Nations. She is a mighty element of stability and of vigor in that organization. She is seeking to tread the path of peace. Understanding of her will aid those German leaders who wish

to keep her feet firmly upon that path.

All "Voyaging in the Same Boat"

LEOPOLD SCHWARZCHILD, young, short of frame, dark, brilliant, lively in temperament, but markedly judicial in mind, collaborates with Stefan Grossmann in editing a weekly Berlin journal, *The Tagebuch*, devoted to progressive economic thought.

I spent an extremely pleasant hour with Herr Schwarzchild in his editorial office in the Beutherstrasse. He has the affability and the wide outlook so gratifying to those who pursue inquiries of international scope. His studies have brought him to the point where he has no shadow of doubt that all civilized peoples, not only economically, but in respect of the whole span of their interests, are voyaging in the same boat.

"Whatever lies across the course of this vessel," said he,

"threatens a common catastrophe."

We had been speaking about Great Britain's industrial strife, and about the new world competitive order as affecting that country. Herr Schwarzchild talked as if Great Britain were a part of Germany. Whatever might hurt Great Britain would hurt Germany in like degree. Any benefit Germany might reap from a British misfortune would be temporary and terminate in disillusion. Germany, though she had gained something from the British coal strike, wanted no more British coal strikes.

"Nor British strikes of any kind," declared Herr Schwarz-child, almost vehemently. "That general strike in Great Britain was like an obstructing craft, or a reef, in the way of the ship of civilization. If it had sent Great Britain down, we all should have been in the water; and no man can say who of us would have been saved, nor what part of our ship, if any, would have been salvaged."

Oh, yes; Herr Schwarzchild is a German!

"To be sure," he went on, "we cannot expect—not now, nor for many a day, perhaps—that the shackles of intellectual tribalism will fall from the faculties of men. We shall persist, for how long I dare not predict, in many nationalistic follies, tariffs among them. Europe is full, crammed, choked with tariffs, tribalistic in conception and injurious in operation. Finally, beyond question, these and similar hindrances to trade will go. Their going will cause dislocation. Some industries will perish. But the resulting economic equilibrium will be a blessing to Europe in industry and commerce and the surest safeguard of national and international tranquillity."

"You think tariffs tend toward war?"
"I think tariffs, essentially, are war."

"What is the relation between tariffs and the Dawes Plan?"

Herr Schwarzchild burst into laughter.

"The Dawes Plan says to us—doesn't it?—'Sell! sell! sell! What do foreign tariffs say to us? They say—don't they?—'Keep your goods at home!' They say even more. They say, 'Behind us are rising industries which not only will supply our own people, but will do all in their power to invade the home market of Germany.'

"However, I am not saying a word against the Dawes Plan. We are silent about that plan. We fulfil it. So long as may be possible, we will go on fulfilling it. If any alteration be made in the plan, the recipients of its supposed advantages will be

the movers in the matter. I think John Maynard Keynes and economists like him—men of distinguished special competence though they are—have been too hasty in calling for the scrap-

ping of the Dawes Plan.

"Why? Because it has done, and is doing, a good work. Time, in my judgment, will liquidate it, but its liquidation now would be premature. It has faults. Its index of prosperity, based on population, is unreliable, unjust, does not accurately gauge wealth. Its other weak points lie in its failure to fix either maximum annuities or any date when the annual payments shall cease. These weaknesses are bad for the reason that few economic drawbacks are worse than is uncertainty.

"Uncertainty is a thing I should like strongly to underline as an economic drawback. Russia is a gigantic European uncertainty and hinders European and world economic development accordingly. If America could draw Russia into the ambit of peaceful trading nations, the universal gain would be immeasurable. I say 'America,' for only America could perform this service. Do what we may at Geneva or elsewhere, the world cannot be normalized, nor can peace be assured, until Russia abandons the role of a menacing international outsider.

"There is another great uncertainty in Europe, and it, too, helps to make our bad economic conditions worse. Italy is an uncertainty. Mussolini is an uncertainty. What are Europe and the world really to expect from fascismo? Fascismo implies fighting. It appears to be a kind of porcupine, spined with military rhetoric. What is it going to do? If it must fight, and, if by and by it has nothing further to fight in Italy, will it tackle something or somebody out of Italy? Uncertainty. Deplorable."

Herr Schwarzchild, reverting to the Dawes Plan, said it had served, and was serving, as a bridge over a wide and dangerous bog. But he plainly regarded it as only a bridge, and a bridge which, having served its purpose, would be demolished. His concern about it was that it should not be hacked at or jarred, let alone demolished, until it should have borne Europe safely across the bog of its topsy-turvy industries, its broken currencies, its clashing opinions, its fears, suspicions, and warlike

passions.

"Germany is recovering," said the young economist. "Processes of recovery, in the teeth of restrictions, tariffs, prohibitions, bans on the foreign worker, are general in Europe, showing what prodigies of reconstruction and progress might have been accomplished in favorable conditions. What has been

done in Germany, up to the present, surpasses, both in point of time and in point of amount, the most deeply rose-tinted anticipations. This fact, however, should not be viewed too optimistically with reference to the future. The past, in this matter, is by no means the future, nor comparable with the future.

"If some of our heaviest trials are behind us, some—and these latter quite incalculable—are before us. The entire international economic situation is hardening. It is hardening under the hammer, not of arguments, but of events. Competitors for raw materials and for neutral markets come daily more closely to grips. Meanwhile, the Dawes annuities, following a rigid scale, approach formidable heights, the giants of credit all looking to Germany to pay. Germany must pay for England, for France, for Belgium, for Italy—the United States, in the end, getting the lion's share.

"Well, as I have said, we will do the best we can. It is not for us, in existing circumstances, to make overtures for international financial revisions. These, when they come—and they will come—will issue from lessons yet to be learned by the vast majority of people, among them many economists. If I may speak frankly, I will say that the science of economics, and the problems of finance, as these are concerned with international affairs today, are understood, as a general thing, not at all, or very dimly. There are only a few great economists in the

world."

Germany's New Sinews of Industry

"COMBINATION," "amalgamation," "concentration," "syndication," "rationalization."

These words, in the course of the herculean reconstructive work of Germany, dominate the industrial speech of the Republic.

What do they mean?

Not to worry over distinctions possibly interesting, but broadly non-essential, all these terms signify what is imaged to the American mind by the word "trust." They signify "big business," business organization in large units, a joining together of industrial, commercial, and financial interests to regulate production and distribution in accordance with the latest criteria of large-scale, particularly international, economics.

Within the memory of persons not yet old, "trust" or "combine" did not ring pleasantly in the popular ear. It suggested the arbitrary raising of prices. It suggested selfish obstruction of the course of trade. It suggested political scheming, lobbying, unfairness, dishonesty, monopoly. "Ring" and "cabal" often were heard in connection with massings of industrial and

monetary power.

Note the last word in the opening sentence above—"rationalization." It is an expression in favor with the reorganizers of German business. It represents a deliberate effort to get away from the implications of terms long current in relation to super-business. What the builders of this business wish to impart is a general impression that they are out, not to abuse, but to bless the public. To "rationalize" business is to render it conformable to reason—to put sense into it. The reorganizers of German industry and commerce aver that they are striving to put into these activities the sense indispensable to the

solvency of the country.

Faith in this assurance is not universal. Monopoly, or the power of monopoly, is recognized to have its dangers; and some observers doubt whether the purity of motive and the solidity of character of the new trust-makers will enable them, once their mastery shall be established, to resist the temptations of avarice. One of these doubters is Leopold Schwarzchild, coeditor of *The Tagebuch*, previously quoted in these examinations of economic opinion. "Apparently," said Herr Schwarzchild, "conditions, not theories, are supreme. World competitive forces do not brook the individualist. Only corporations are strong enough to breast the competitive seas. Yet it still is true that men are greedy; and, when greedy men have power, what is more probable than exploitation of the defenseless?"

Turning to England for a moment, great combinations among producers have been feared in that country from their earliest appearance. Nevertheless, well back in the Victorian Era, British producers were combining to gain the benefits of cooperation, and the end of the war saw the trust principle manifesting itself in price-fixing associations and selling pools throughout the domain of major British industry. Even some monopolistic combinations had been set up. However, in this respect, Great Britain advanced less rapidly than did either the United States or Germany. Today British thought generally perceives that British industry, if it is to survive, must avail itself to the utmost of the economies and of the selling

efficacy inherent in the largest forms of organization.

Germany's latest trusts are of the "horizontal," as opposed to the "vertical," type. "Horizontal," in this sense, applies to the union of many establishments of the same kind, "vertical" to the linking up of many establishments of different kinds. Both types aim at the elimination of uneconomic competition, and both arose largely from crises of over-production. Germany's "vertical" combination was called a "cartel," and its purpose was to control either prices or output or both. It obtained not only in the "heavy" industries (coal, iron, and steel) but in nearly every other (potash, chemical, textile, cement).

The cartel functions in three distinct ways. It fixes prices (minimum selling prices), or allots to component firms definite percentages of the total output, or forms a selling syndicate to control both production and prices. There is a celebrated example of the cartel functioning in the last-named way—that of the Rhenish-Westphalian Coal Syndicate, formed in 1893 and made compulsory by the German government in 1915. By the time of the outbreak of the World War, cartels had multiplied by hundreds and their controlled articles by thousands.

"Vertical" concentrations—such as collieries and iron and steel works—managed the manufacture of certain commodities from the raw material to the finished article. Heterogeneity, or unlikeness of constituent parts, was their central feature, whereas the central feature of the "horizontal" amalgamation is homogeneity, or likeness of constituent parts. To state the facts otherwise, combinations of collieries, blast furnaces, and iron and steel works alone are examples of the "horizontal" trust.

Of the "vertical" theory of "rationalization" in industry a typical crystallization was that of the Stinnes Trust. It, like many other "vertical" formations, was the result of the surging temporary rise of German industry following inflation. Stabilization of the mark—i.e., a return to the gold standard—knocked the Stinnes Trust and other "vertical" organizations to pieces. Thereupon, "horizontalization" appeared, and similarity of character superseded comprehensiveness as embodying the radical idea of the German trust, meaning that while such cognate enterprises as collieries, blast furnaces, and steel works might combine, the production of the finished article, such as machinery, was left to dissociated undertakings.

To the "horizontal" trust mass production yields all its primary economies. The cartel, whose principal object was to adapt supply to demand, has been surpassed as an economic agent. The new trust not only accomplishes the purpose of the cartel, but, by concentrating production upon the most efficient

units, rids itself of the waste attendant upon an effort to operate uneconomic works. The "horizontalists" are ruthless. Does it pay, and pay well? Does it pay so well that to let it go would be a clear loss? If not, away with it! The cartel was less callous to individual works. Their desire for independent existence affected the cartel's policy. As a consequence, depression strained the combination dangerously, for it threw the parts into a struggle for existence, while there was no means at hand for lowering the costs of manufacture.

In the Ruhr last year (1926) was formed the largest "horizontal" industrial unit on the Continent of Europe, that of the Ruhr Steel Trust, to which the nationals of a number of States are parties, notably those of Germany, Belgium, France, and Luxemburg. Four huge groups led in this merger or fusion, the Rheinstahl, Rhein-Elbe-Union, Phoenix-van-der-Zypen, and Thyssen. Its initial capital was 800,000,000 marks (\$200,000,000), and it controls some 40 per cent. of the pro-

duction of the Steel Cartel (Rohstahlgemeinschaft).

Thus it will be seen that German industrialists, cooperating with their fellows of many European lands (industrial combination for the purposes of world competition attracts everincreasing interest and sympathy in Europe) are jumping over frontiers and minimizing the manufacturing and trading drawbacks of fiscal restrictions. It is the German answer to German internal necessities and external obligations, and it looms large among the world competitive potentialities of the future.

Trustification in Germany is not confined to coal, iron, and steel. It is making its appeal to ship-building and shipping, to air transport (already a complete monopoly), to the metal and engineering trades, to copper and brass, to the makers of rotary printing presses, to chemistry, dyes, potash, cement,

and almost every other branch of manufacture.

Germany needs capital. She owes vast debts. She is preparing, with characteristic thoroughness, to conquer the markets she must have, if the mark is to remain at par with gold, with all that means.

Struggle of "Blue Patches" and "Clouds"

DR. HANS SIMONS, head of a Berlin school of politics of high repute, is a publicist and a humanist of much the same character and outlook as stand forth so prominently and so

pleasingly in Dr. Friedrich Hertz, the famous economic authority of Vienna. These very able men resemble each other, not only morally and intellectually, but physically. Their broad spirits live in broad bodies.

"What is your impression of the immediate future of Europe?" I asked Dr. Simons, as he sat at his desk in Berlin.

"It seems to me almost hopelessly confused," said he. "If there are patches of blue sky, there also are many clouds. Whether the blue patches will grow without renewed overclouding, I cannot tell. I hope for a gradual clearing of the whole European firmament. I think I have considerable faith that this will come, but I may be disappointed."

"What are some of the clouds?"

"Oh, they are numerous, and in some directions they are black. There are possibilities of war in the Balkans, with unforeseeable consequences outside the Balkans. Ignorance, antipathy, apprehension, grotesque imaginings, nerves, false rumors, mistaken ideas of national interest, some deliberate mischief-making—all fight against the security of even such peace as we have. Human infirmity is arrayed on the side of evil, and human infirmity, paradoxically, is a very formidable force."

"Does any one of the Balkan States want war?"

"Probably no State wants war. Every State, I am convinced, wants peace. What could be more natural? But men's minds get in a whirl from what they hear and fear. Governments become alarmed, and opposing preparations for defense gravitate toward offense."

"What do you think of Mussolini?"

"His language is disquieting. What he may have in his heart—if he has any perfectly definite purpose or ambition in his heart—I do not know. But what he says is mystifying and susceptible of sinister interpretation. I trust Signor Mussolini, a man of great gifts and power, is conscious of his responsibility to Europe and to humanity. I trust his strength in the political domain is where it ought to be—with those few giants of statesmanship whose wisdom and loyalty are the hope of the League of Nations and the cause for which it struggles. If such be the truth, there is cause for rejoicing. Meanwhile, I should wish Signor Mussolini to allay, instead of stirring up, nationalist passions and fears. That, it seems to me, would be better for everyone, Italians not least of all."

"What of the tariffs of Europe?"

"They represent economic folly and the fear of war. Every nation, so long as war seems imminent, wants to be self-contained. It wants within its own borders all the means of life and of warlike efficiency. Not until the threat of war is removed can we hope for scientific principles in European and world economic organization. Prosperity waits upon these principles."

"And these principles wait upon what?"

"Upon education."

"How do the War Debts affect the international situation?"

"Adversely. The world would have enough to do to take care of productive, let alone non-productive, debts. So far as the general economic effect is concerned, it does not matter who pays the War Debts—whether they are paid by the Allies or by Germany. In either case, purchasing power must be found somewhere for every mark or lira or franc or pound or dollar realized for the discharge of these obligations. Such purchasing power will be taken away from the normal operations of international industry. The more Germany must pay, the less she can buy and the greater must be her slice of the purchasing power of the nations. That is the granite of the matter, pull and haul the argument how one may."

"Germany can pay?"

"Germany can pay in strict proportion to the surplus wealth allowed her by available raw materials and markets. I say surplus wealth, for Germany must carry on at home before she begins to spare the fruits of her labor to others. Reparation payments, and everything else paid out by Germany in the form of foreign legal tender, can have their source in just one place—the excess of our exports over our imports.

"Foreign consumers, in other words, must take German goods to the extent of German payments in foreign money. Foreign manufacturers, if their fellow-citizens are to receive German payments, must give way to German manufacturers in the amount of these payments. As for payments in kind, even if we could go on indefinitely obtaining the raw materials for such payments, they cannot be otherwise than unacceptable to the industries of the countries which may receive them."

"You have spoken of 'blue patches' in the European sky."

"Yes; there are such patches. Their measurements, too, are not inconsiderable. There is the great blue patch of the League of Nations, with its circling vigilance, its growing experience and prestige, its powerful attraction for reasonable minds, its unquestioned impartiality and eagerness for peace, and the good fortune it enjoys in having the zealous support of some of the foremost personalities of contemporaneous politics. Whoever takes the trouble, in a spirit of fairness, to consider the

vitalities of morals and of mind now revolving round the central purpose of the League of Nations is bound to regard that organization with respect and with a feeling of confidence. Its cloud-displacement, beyond mistake, is very great.

"Industrial power makes another big blue patch in the European political sky. Not all industrialists, to say the least, prior to the World War, were for peace. Many of them were for political adventure of the grand sort, seeing in it the promise of riches. The scales have fallen from such eyes. They see that war does not pay, that it impoverishes vanquished and victor alike, that it cracks the solid body of social life, that it poises civilization over a bottomless pit.

"Hence the blue patch offered us by the industrialists now. They have a mighty say in the question of peace or war, and their say is at last for peace. I am sorry of the grounds of their altered position. I wish those grounds were moral, not material—human, not inhuman. I wish they stood for peace, not because peace pays pecuniarily, but because it pays in righteousness, culture, compassion, and civilized progress. However, forgetting the motive, the industrialists are now for peace, and their changed attitude rolls away some heavy cloudbanks.

"European industrialism, under the pressure of extraneous forces, is developing unheard-of cohesiveness and strength. It is transcending nationalistic limitations and widening the sphere of common interest and understanding. Its present conduct makes one thankful for the systematic way in which it is building up its influence. Now that the men of industry and trade have joined the men of enlightened statesmanship in trying to mitigate the worst evils of the frontiers, possibly the dangers of war will be diminished, little by little, to the vanishing point."

"And the other 'blue patches'?"

"They are scattered here and there and spring from a thousand educative energies flowing with the currents of constantly expanding international intercourse."

Listening to the earnest words of Dr. Simons, one could not be insensible of the anxiety with which he observed the uncertain contention of the "blue patches" and the "clouds"!

Germany Ambitious But Pacific

THOUGHTFUL attention to the state of feeling and the state of mind of the most vigorous elements in the Republic of Germany yields one deep general conviction, namely, that

these elements, while never ceasing to dream of and to plan for a German place in the world worthy of German genius and power, look forward to a realization of their hopes and ideas

through peaceful—not warlike—methods.

Germany by no means has relinquished thoughts of colonial opportunity. This star of purpose is made to shine brightly for the eyes of the whole German people. Expansion—non-bellicose, legitimate, at the proper time and in the proper way—is taking its place among the fundamentals of German national faith, and it is doing so for an excellent reason.

Leadership is at work in the matter. The colonial ideal is taught to the people. Germany overseas is held up for popular German acclaim, not only as a thing due to German amour propre, and a thing undeniably just, but a thing of which Germany, if she is to live and meet her domestic and foreign

obligations, cannot be deprived.

Dr. Hjalmar Schacht, that great economist and financier who presides in rugged dignity at the Reichsbank, lends his influence to the colonial movement, cooperating with such men as Dr. Heinrich Schnee, a former governor of German East Africa; Drs. Bell and Dernberg, former colonial ministers; scores of specialists in colonial subjects, and the compact mass of business men interested in raw materials and

shipping.

Twenty million Germans, or roughly one-third of the inhabitants of the Republic, depend upon imported raw materials and foodstuffs. These imports are costly and require payment in non-German currencies. Dr. Schacht and the other colonialists argue that, if Germany is not to be allowed colonial re-emergence, she can carry on and meet the requirements of the Dawes Plan only by accepting foreign investments in German undertakings and by invading neutral markets in a big way.

"Both these alternatives can be avoided, or resorted to only moderately," says Dr. Schacht, "by the exportation of German settlers to German colonies and the production of raw materials for Germany in those colonies. Thus would be provided an outlet for our excess population, a market for our manufactures, and a source of supply of the raw materials necessary to this economic cycle, the whole within the sphere of the validity

of German money."

Herr Kulz, formerly Minister of the Interior, supports the thesis that, kept from colonial development, Germany's success,

whatever it may be, in standing erect under the Dawes Plan will be at the expense of the creditor countries receiving German payments.

"This is so," asserts Herr Kulz, "for the manifest reason that our creditors must vacate in our favor the markets upon which

reparation payments are dependent."

Those students of the world outlook in business who believe that Germany can pay even up to the maximum figure of the Dawes Plan—\$625,000,000 annually—imagine a vastly enlarged international commerce in the future. They see wealth expanding beyond the most golden of past visions. They say we have been used to "little figures," and point to ancient national budgets, compared with those of today, as "comically diminutive."

German colonial ambitions cause grave reflections in London, Paris, and Rome. If the strength of the German economic argument is acknowledged—and it is not an easy argument to controvert—the political problem rises opposingly like a stone wall. London appears, at least for the present, to say, "We are sitting tight." Paris is not heard inviting the Germans into the French colonial domain, and Italy shouts over the Alps, "We were despoiled at Versailles; Italy before Germany, colonially!"

Pretty enough is this politico-economic-financial dilemma, and delicate enough the statesmanlike balance and skill demanded for its solution!

For the Republic of Germany, seemingly, Alsace-Lorraine has gone permanently to France; German republicans are casting no expectant glances in that direction. Austrian Germans are considered as belonging under the German flag, but there is at present no disposition in Berlin to raise the Austrian question; in this respect Germans bide their time, hoping for a reasonable outcome in a European atmosphere friendlier to normal adjustments than is that which exists now. Sympathy with the Germans of South Tyrol is universal in Germany, as in Austria, but here also are awaited the appeasements of the passing years.

Against such a lowering of German living standards as would militate against German stamina, vigor, and creative capacity the hearts of German leaders are set. If the Republic aspires to industrial and commercial greatness of the first order, it aspires still more to a full development of German physical, moral, and mental possibilities, deeming these—not material wealth—the ends to which all else is but the means.

With or without the Dawes Plan—reparation charges staying or going—Germany, in the opinion of the ablest American observers in that country, will be highly formidable in the international competitive tests of the days to come. Germany is working hard, saving thriftily, making new capital, reducing interest charges. When her capital is so abundant that it is available at interest rates at the foreign level, then the influx of foreign capital, including American, will cease.

American wealth will go to Germany only so long as it is needed there. Meteorology furnishes an analogy; winds rush into a depression, but they rush thither only until the depression is filled. Meanwhile, intelligent Germans are not afraid of American or other foreign investments of a productive nature. Productive debts, they say, are economically good debts. Money, in the sense of active capital, is creative; it creates more money; more money means more saving, more saving more active capital, and so swings the circle of industrial expansion and the growth of wealth, with all its additions to the fundamentals and the refinements of civilized life. German objections to the War Debts rest upon their non-reciprocal and non-productive character; themselves producing no wealth, they become a charge upon industry already charged with supplying sinking funds and interest for productive debts.

On the subject of disarmament, Germans utter this challenge: "We already are disarmed; let others disarm. Our devotion to the principles of the League of Nations is without arriere pensee. We think the League, as a whole, should be so strong that none of its members would be strong enough to defy the corporate will. Our view is that no League, unless thus preponderantly strong, can hope in all circumstances to make its judgments prevail. There should be no question of the ability of the League to stop an aggressor."

Touching responsibility for the Great War, Germany is virtually a unit in repudiating such responsibility. She calls the allegation that she alone caused the bloodiest of human conflicts, "the war guilt lie." She has published forty bulky volumes, including many of the Kaiser's notes, claiming that these volumes contain "the entire mass of Germany's secret political documents;" and, through the voices of Hindenburg, Marx, and Stresemann, she invites the other nations to follow her example, "in order that history may record the truth about the origin of the World War."

National Self-Sufficiency a Delusion

YOUNG, fair, friendly, quick in thought and in action, I broad-gauged, considerably experienced in world councils. a political and economic writer of knowledge and facility, Dr. Parker Thomas Moon, Associate Professor of International Relations, Columbia University, author of "Imperialism and World Politics" and other books, is an uncommonly pleasant man to meet, and a man who discusses international affairs with candor and courage, as well as with understanding.

Dr. Moon smiles over such scoffing at professors as appears

from time to time in the press or in conversation.

"Professors, so far as I know," said he, "are not inordinately conceited. Indeed, as nearly every one realizes now, I suppose. those who have gained some knowledge—paving for it, so to speak, in gold-standard currency—are the last to entertain exaggerated notions of their intellectual conquests. But, if we believe in education, as Americans are supposed to believe in it, where is the logic in scorn of those who devote their lives to education?"

Meaning, I assume, that, if elementary education is good. why is not advanced education better?

Particularly, Dr. Moon was thinking of the attitude of certain non-academic critics to the point of view of the majority of academic thinkers of all nations concerning German reparations, inter-Allied war debts, and the heavy obligations (heavy and growing) of governments, municipalities, and corporations to the private investors of foreign nations, especially the United States of America.

Academic, or so-called doctrinaire, students of this great and imperfectly understood problem ask, "How can these charges upon industry be met?" Hard-boiled, anti-professorial, anti-international criticism retorts, "They must be met!"
"Let time show," said Dr. Moon, "whether the professors or

their opponents are the actual realists in this dispute."

"You think the debt-burden of the world is too heavy?"

"I do."

"You think Great Britain and the United States would be wise in canceling the war debts due them?"

"I think wisdom dictates a reconsideration of the whole debt problem in the light of the latest knowledge."

"You perceive a difference between war debts and ordinary investment debts?"

"This difference: war debts create nothing to work for their liquidation, whereas it is the essence of an ordinary investment debt that (unless it prove a failure) it brings into being the wealth-making enterprise necessary to its discharge."

"You consider the war debts inimical to commercial debts?"
"Inevitably. War debts weigh upon industry in its struggle to meet the service charges upon commercial debts—sinking

fund and interest charges. War debts are abnormal; they are uneconomic; they fight against prosperity in every country, by no means excluding that to which they are regarded as due."

Though Dr. Moon did not say so categorically, his slogan, by implication, is clearly about this: "Wipe out the War Debts, America, and you will gain through improved business vastly more than you lose through taxation." Morally and politically, as well as economically, the War Debts, in Dr. Moon's judgment, were better canceled; he sees the moral and the political bearing of the matter as inseparably related to the material interests of the creditor nations.

"This is the case," said he, "because, in the first place, it always pays to do right; and, in the second place, the goodwill of the world, to a far-extended and ceaselessly extending interest like that of the United States, is more precious than gold. It is more precious than gold, for the reason that it means, not only reciprocity of profit between others and ourselves—material gold—but efficiency of our national prestige as a peace-factor—moral gold."

"There is no such thing as national self-sufficiency?"

"No such thing."

"Not even in the British Commonwealth of Nations or the United States?"

"No, sir. And, to arrive at this conclusion," said Dr. Moon, with a somewhat twisted smile, "we are not required to be 'altruists' or 'dreamers' or 'professors." We are, however, required to know the facts. We are required to know what raw materials are possessed, and what are not possessed, by others and by ourselves. Informed as to these facts, we also must know in what manner such materials are related to modern life.

"We hear a great deal nowadays of 'the fight for raw materials,' of its importance, of its decisive, or all but decisive, connection with the problem of peace. That it is a serious question—this question of the bottom essentials of industry—ought to go without saying. Germany cries out for colonies, Mussolini asserts that Italy 'must expand or suffocate,' France will endure no menace to her colonial integrity, Premier

Baldwin bases his hopes upon British economic solidarity, Secretary Hoover enlarges upon the international dangers of nationalistic policies affecting raw materials—all testifying to

the world's sense of its primary need.

"An industrialized world, with industrialization daily intensifying and spreading, must have raw materials. How can it get them without that most foolish and most futile of all resorts—war? 'Colonies!' This is the general ejaculation. But are colonies enough? Who can point to any colonial system, present or prospective, which offers any people escape from greater or less dependence upon its international neighbors?

"There is no such system. Look at our imports of raw materials—a billion and a half dollars' worth in a year. Look at Great Britain's—still more, two billion dollars' worth. The same story with reference to Germany, France, Italy—billions of marks, francs, lire pouring out into the remotest quarters of the earth for its ores, fibers, and gums, in order that German, French, and Italian factories may make their contributions to the life and the stability of those great factors of latter-day civilization.

"God made the world too diversified for any national frontier or tariff wall to inclose anything like a sufficiency of its gifts. Nations must go abroad, not only for their principal raw materials or minor ingredients of these—as our steel industry, for example, must go to Rhodesia and to Cuba for chromite—but for foodstuffs. Peoples not only cannot manufacture but cannot eat independently of other peoples. Some of us are in the temperate zones, some in the tropics, but all in the unified world of a common need.

"America self-sufficient? How about our position in war? Naturally endowed as we are—richly endowed—it is stated authoritatively, nevertheless, that we lack at least thirty materials essential to war—antimony, camphor, chromium, coffee, cork, graphite, hemp, hides, iodine, jute, flaxseed, manganese, manila, mica, nickel, nux vomica, opium, platinum, potassium salts, quicksilver, quinine, rubber, shellac, silk, sodium, nitrate, sugar, tin, tungsten, vanadium, wool.

"Self-sufficiency in war, a delusion for us, is how much more delusive for others! And what is the answer? Since self-sufficiency is out of the question, what argument is there against a sensible, peace-conserving plan of giving every nation, in respect of the necessary materials of its labor and its life, a fair show? Enlightened statesmanship is not a bad substitute for ignorant nationalism."

Dr. Taussig on Reparations and War Debts

DR. FRANK WILLIAM TAUSSIG, senior in economics at Harvard, a great scholar and a great teacher, is a tall, rugged, rather loosely-knit man, with a ruddy face, a small, gray mustache, and gray hair. Dr. Taussig, animated in temperament and cordial in manner, has many callers in his simple office, overlooking a beautiful stretch of water, frequently flashing with the dip of sculls.

"What do you think of the state of economic education in the world?" I asked the distinguished editor of *The Quarterly*

Journal of Economics.

"I think it is deplorable."
"Is it getting better?"

"Well, to speak the exact truth, I can detect very slight improvement since I began to write on economics forty years ago. Economics is a sadly neglected science, neglected alike by the people and by their leaders, notwithstanding its extraordinary everyday importance. I wish the newspapers would arouse democracies to the bearing of economics upon their moral and material fortunes. Give us peoples instructed in economics, and there will be less chance for the economic ignoramus in public life."

"Are not the colleges and universities doing something to

leaven the lump?"

"Now you touch the realm of hope. I hope so. I even believe that academic enthusiasm for the diffusion of economic knowledge is at least on the way to giving us some leaders of competence in this branch of learning, with its vital relation to all social interests."

"Do our public men always consult such knowledge as they have of the problems of industry, commerce, and finance?"

"Our public men, in the sense of legislators and executives, are party men. Loyalty to party interests, or to conceptions of party interests, is scarcely compatible with the purely scientific inspiration. Expediency continually knocks at the door of the politician and the person dependent upon the politician. Truth knocks there, too, I daresay, but the politician is prone to say to himself, 'In the circumstances, I can serve truth last and best by serving expediency first.' Secretary of the Treasury Mellon, for instance, is no doubt an honest and a well-disposed man, but he conceives it expedient to speak to Capitol Hill with one voice, and to 'the professors' with another. He says to Capitol Hill, 'We squeezed out of our

foreign debtors all there was in them,' and he says to 'the professors,' 'Our policy toward our foreign debtors has been one of admirable generosity.' One can understand, and even sympathize with, Mr. Mellon's position, yet even the Secretary of the Treasury cannot have it both ways. Taking all we can get is not reconcilable with generosity.''

"You favor a cancellation of both Reparations and War

Debts?"

"Of War Debts, but not of Reparations. Even as regards War Debts, I am not in favor of campaigning now for their cancellation. I am in favor of campaigning at present for only a reconsideration of the whole problem of international obligations, Reparations and War Debts together. We know a great deal more about these matters today than we knew a few years, or even a few months, ago. Besides, there is less passion, a lesser degree of irrationality, in the region of international leadership. I approve agitation for a re-study of this problem, because I feel certain that it has found no solution as yet, and that a solution must be found. Now, in my judgment, is the time to get on with the inquiries and the education necessary to that solution."

"You think cancellation of the War Debts will come?"

"I think it will come."

"What will bring it about?"

"General appreciation of the fact that it is wise from every point of view."

"Would cancellation be a serious matter to us financially?"

"It would be a virtually negligible matter. True, the total foreign debt to us is huge—in rough numbers, \$10,000,000,000. Ten billions! Gigantic! Unprecedented! But don't let us get too excited. What matters to us is not this colossal sum; what matters to us, and to the other peoples concerned, is neither more nor less than the series of annual payments under the settlements which have been negotiated. And what do these amount to? Enough to make or break us? Why, the payments we are to receive from Europe in the next year or two will come to about one-quarter of one per cent. of our national income.

"Our income from sources other than these debts is somewhere near \$90,000,000,000 a year. That is to say, it is as if, having \$100 to receive, we were to get twenty-five cents in addition. Do we want this twenty-five cents additional, if there be any tenable argument against the wisdom of accepting it? Certainly, it is expected that the payments from abroad will increase as the years go by, but our national income also

will increase. It, too, if we travel at the rate of the last five years, will be doubled in ten years or so. Those possible payments from abroad, as elements in our total annual resources, always will be trivial."

"To us?"

"Yes; to us, but by no means to those who pay them, because the latter are relatively extremely poor. Half as much per head for the more prosperous, a quarter as much per head for the less prosperous—that is the position of these debtors as compared with ourselves. And their position will not grow better; it will grow worse, for their national incomes cannot increase in proportion to the increase in their successive payments. We do not need these payments. At present they are about five per cent. of our federal revenue of \$4,000,000,000 a year, and for the last fiscal year we had a surplus of \$300,000,000. Puzzled as to what we shall do with our abundance of material things, we well may search for those facts of history, and for those probable influences upon foreign sentiment, which would warrant us in passing the sponge over the war debts to which we are laying claim."

"How will the foreign payments affect us economically?"

"Not so seriously as some suppose, but not favorably. We can be paid only in goods—more tea, coffee, raw silk, wool, jute, rubber, and the like, and manufactured articles. Additional European competition with our industries will be commensurate with the amounts paid to us in settlement of the war debts and all other debts owing to us by Europe."

"Will our tariff impede the payments?"

"To some extent, of course, but not prohibitively."

"How does the post-war revulsion in prices affect the debt situation?"

"We gave goods and get goods, but the goods we get are comparatively so low in price that half as much again of them is necessary, dollar for dollar, to match the goods given. We profit by this difference in price. We sold at war prices and buy on a depressed market."

"You do not deem our war loans ordinary business opera-

tions?"

"No. We went into the war to help. The equities of this situation reach into realms higher than those of the contractual relations of ordinary business. Good is stirring in the world. We should foster it. Mutual help among nations should be to us an objective of the very first importance."

"And the Reparations?"

"I should welcome a transaction which at once would fix their total and provide for their liquidation within a few years—five at the most. Conceivably, Germany might be enabled to stand clear by means of one great lump-sum payment, accomplished through the German railroad and industrial securities pledged under the Dawes Plan—securities which ultimately would return to Germany. Reparations and debts out of the way, the world can pass on from evil memories of the ghastly human debacle of 1914-1918."

Dr. Fisher-Fighting Internationalist

DR. IRVING FISHER, chief of the Department of Economics at Yale, is perhaps, among professors, America's most redoubtable fighting internationalist. He is one of those rare and adorable men who work hard, and think hard, and give the world the benefit of their toil and their thought, with-

out reserve, without camouflage, without fear.

There is one word which does not occur in Dr. Fisher's vocabulary; it is the word "pussyfoot." Dr. Fisher knows how to be painstaking in his research. He knows how to be heedful. He knows how to be sagacious. But he does not know how to pussyfoot. This art—an old art with a new name—Yale's economic senior always has chosen to leave to the political critics of professors.

Ask him if he believes in the expungement of Reparations

and War Debts, and he replies:

"Yes."

For all the reasons—moral, political, economic?

"Yes."

After our declaration of war upon Germany, the Great War was our war, for every dollar and every man we put into it?

"Yes."

Tariffs, anti-immigration and anti-alien laws, nationalistic policies restricting the use of raw materials?

"Bad."

Does he know of any road to permanent peace? "The League of Nations and the World Court."

Dr. Fisher works in a delightful office, stuck like a swallow's nest on the rear wall of his fine home on the Crescent, New Haven, its wide windows inviting one to views of valley and hill. There are secretaries about, and typewriters, and the hum

and movement of organized activity. Dr. Fisher is not exclusively a textbook professor. He is a professor with a systematized way of observing the world and playing a part in its affairs.

Relative to Reparations and War Debts, Dr. Fisher's argument is similar to that of economists throughout the world. As to our own claims against the Allies, he considers them unjustifiable in ethics and in reason, contrary to our long-run material interests, and probably impossible of payment without economic complications which no nation would wish to contemplate. However much Germany, in Dr. Fisher's view, may be obligated in morals to pay for the damages done by her invading armies, he has "very grave doubts" whether she can meet the maximum payments of the Dawes Plan.

But, in Dr. Fisher's mind, there is a bigger thing in the international domain than even the colossal problem of Reparations and War Debts. This bigger thing, as he sees it, comprehends Reparations and War Debts and all other questions and needs affecting the co-existence of civilized peoples, with their hourly additions to the fabric of their common life.

"It may be a tiresome subject to some—that of the League of Nations and the World Court," said Dr. Fisher, his keen, brown eyes sharpened by their frame of gray hair and beard. "I well can understand that it hardly can be a pleasant subject for some. Some have been, and still are, on the wrong side of the argument. They never have been impressive, notwithstanding their energy; and the relentless march of events, assuming that they have some intelligence, must be making

them progressively uncomfortable.

"The lesson is, as I get it, that audacity and vociferation and political manipulation, however gratifying they may be to those who successfully practice them, and to whatever extent they may retard the rational processes of history, at last are swept from the stage. American opposition and other opposition, if there be such, to the principles of the League and the Court finally will be swept from the stage. This assertion can be made with unhesitating assurance for two reasons, (1) that conscience, intellect, and world requirements call ever more imperiously for a League and a Court (and there is only one conceivable League and Court, namely, those already existent and functioning); and (2) that these institutions already have demonstrated their soundness, their commanding vigor, and their priceless worth to mankind.

"America's best judgment has been for years, and is today, for the League and the Court. The pro-League and pro-Court

trend of public opinion, in motion now, will gather momentum. The old cries against these great organs of international life—the cries of 'Superstate!' 'Britain has six votes to our one!' 'Tanglefoot for Uncle Sam!' 'The League is dead!'—daily take on a more foolish ring. All the scarecrows, the humbug, the partisan rancor and wounded personal vanity, known—to our disgrace—in connection with the world's struggle to organize itself for peace and justice, are beginning to be understood far and wide, and the United States, without any protest from any popular quarter, is one of the most numerously represented, and one of the busiest, nations at Geneva!"

Dr. Fisher mused smilingly.

"Lodge, McCormick, Johnson, Moses, Shields—politically," asked the scholar, "where are they? Have not they and all the other irreconcilables lost caste? 'Settled'—is it?—this League and Court question? Do you remember, before the Civil War, when the Missouri Compromise, the Dred Scott decision, and the election of Buchanan 'settled' the question of slavery? Personages no less august than Presidents of the United States told the people slavery had found its solution. Slavery was settled when it was settled right, and our relation to the League of Nations and the World Court will be settled when it is settled right—when we are members in full standing of both organizations."

"Did the people of the United States vote against the League

in 1920?"

"Certainly not. That yarn was manufactured out of whole cloth. Probably millions of voters supported Harding under the belief that Hughes, Hoover, Root, Taft, Straus, Wickersham, Lowell, and the other distinguished '31' were right when they put their names to the statement that a vote for Harding was the shortest way into the League, with proper reservations. Besides, the Republican National Platform was for an Association of Nations and a World Court, and Harding expressed approval of these things throughout his campaign. Coolidge, when the 1920 returns were in, said he doubted if 'any particular mandate were given at the last election on the question of the League of Nations.' That tale of an overwhelming vote against the League belongs to the category of party-machine-made history."

"You think our greatest political leaders have been for the

League?"

"Not a doubt of it. Roosevelt was for it. All the greatest Republicans were for it. Only a small clique in Washington was against it. And have you forgotten just what happened in the Senate? Was there a majority in the Senate against the League? There was a majority for the League—49 to 35—a majority larger than usually is obtained for an ordinary bill. It was only our Constitutional rule of a two-thirds majority (for ratifying a treaty) which kept us out of the League."

"What are the strongest arguments for the League and the

Court?"

"That they are the two things worth while to set against an outlay of \$300,000,000,000 and 25,000,000 human lives, and that they are the only devised or devisable means of preserving the peace of the world."

Mellon and Seligman at Loggerheads

NEITHER Secretary of the United States Treasury Andrew W. Mellon nor any other spokesman for the Coolidge Administration point of view concerning the international debt situation has been able to carry conviction to the minds of specialists in economics, whether European or American.

Mr. Mellon, to be quite frank, is not esteemed by "the professors" to be at his best as an apologist for that circle of thinkers (a limited circle) whose views have determined American policy, thus far, relative to inter-Allied indebted-

ness to the United States.

Criticism—though not hostile—of Mr. Mellon's attitude and arguments is various. There is much respect for the Secretary—respect for his knowledge and his character. There is sympathy with him in his official and party relationships. It is realized that Mr. Mellon the individual and Mr. Mellon the Secretary are, and necessarily must be, rather different persons.

But the fact holds that both the general attitude and the specific arguments of the Treasury Chief on the War Debts leave the academic experts unsatisfied and unconvinced. "He is evasive." "He vacillates." "He is either unimaginative or ethically obtuse." "His political economy is partisan politics." "When he goes to sea argumentatively, he seems sometimes to leave his compass ashore."

Such statements are made by "the professors."

Edwin R. A. Seligman, McVickar Professor of Political Economy at Columbia University—though none of the precise phrases used above should be attributed to him—doubtless is

the principal protagonist of "the professors" in their debate with Mr. Mellon. Professor Seligman was disputing with Secretary of Commerce Herbert Hoover, who is on Mr. Mellon's side of the question at issue, as early as two or three years ago, and he is the author of the recent memorandum of the forty-two Columbia professors on the war debt problem.

Discussing this memorandum (with which he links the similar statement from Princeton), Mr. Mellon mixes a little caustic with his ink on the point that, as he alleges, the university men spoke in ignorance of facts which they readily might have

learned by applying at the Treasury Department.

"We are thoroughly familiar with all the facts you have made public," retorts Professor Seligman. "Have you others in your files? If you have, is it not time they were published?"

Both Columbia and Princeton, according to Professor Seligman, when they issued their pronouncements on the War Debts, were moved mainly by their sense of the position of the debts morally. Basically, "the professors" were unable to consider the debts without a certain uneasiness of conscience. They hoped Mr. Mellon would take cognizance of these ethical considerations, but he did not; he passed them over with no comment whatever; all his references to America's loans were on the theory that these loans were "investments."

Without going afresh into the moral phase of the question, Professor Seligman underlines Mr. Mellon's omission and submits that the matter "will not be settled finally until we reach an adjustment morally defensible as well as economically sound."

Mr. Mellon complained that the Columbia manifesto was calculated to encourage France in refusing to ratify the Mellon-Bérenger settlement.

Professor Seligman declares that France balanced her budget without recourse to a foreign loan—the only thing which ever tempted her to ratify the Mellon-Bérenger settlement—and that consequently "the Columbia statement had no substantial effect on the action of France in reference to ratification."

Official and scholar clash diametrically on several questions of fact in the purely economic field. Mr. Mellon, for instance, recalling the fact that American loans of dollars enabled the Allies to peg their currencies, ascribes to this service a greatly augmented American outlay for purchases in the Allied countries. Professor Seligman, with a reminder that the pegging accomplished by virtue of American dollars was to keep the

foreign exchanges from falling too far below the pre-war level, declares that it was this very pegging which kept prices in the Allied countries from "soaring."

"Capacity to pay" gets the Secretary and the Columbia economist into further controversy. By one the principle is approved, by the other disapproved. Mr. Mellon has discovered numerous cardinal virtues in "capacity to pay," and he endeavors to make "the professors" unhappy with some of his uses of their suggestion of "equality of treatment for our debtors," but Professor Seligman judges the principle "essentially weak as a criterion" and disputes its validity as denoting "a just and accurate procedure." The professor thinks it not impossible to estimate a nation's capacity to pay for the present and the immediate future, but he calls such a feat out of the question for a period of many years to come, and asserts that "capacity to pay" can have been used for "only bargaining and compromise."

Again, these gentlemen are directly at odds on the question of how large have been the American concessions to the Allied debtors. Mr. Mellon views these concessions through what Professor Seligman regards as a magnifying glass—the magnifying glass of a putative five per cent. interest. So examined, the concessions are much more flattering to American generosity than they are if examined through the lens of a $3\frac{1}{2}$ or 3 per cent. interest, and it is the latter upon which the professor insists as fair, since the American Government is borrowing

money at these rates whenever it pleases.

"But look!" argues Mr. Mellon. "The Allies now are paying

much more than 5 per cent, for the money they need."

"Nothing to do with the case," replies the Columbia authority. "Our generosity, or lack of it, can be determined only by what money costs us—not by what it costs some one else."

And "capacity to pay," the professor points out, has won for us, not the commendation evidently expected by our negotiators (who meant it well) but the reputation of a Shylock—a creditor bent upon extracting from his debtors the last possible cent they can raise. "To refer objective action to a principle open to such contradictory interpretations," says Professor Seligman, "is unfair and misleading." The professor has no doubt that acumen on the part of the American negotiators would have saved this country many hard knocks abroad.

Professor Seligman admits Mr. Mellon's contention that American expenditures in Europe for supplies and services for the Allies were large, "but," says he, "these ran in terms of hundreds of millions, whereas the Allied debts to us run in terms of billions."

Mr. Mellon's recent letter stating that the Allies are getting, and will continue to get, more from Germany than they are required to pay to the United States is seized upon by Professor Seligman (as it was by President Hibben of Princeton) as reflecting a "complete reversal" of the Secretary's former attitude, which was one of "adamantine refusal" to consider Reparations and War Debts as in any way connected.

"Besides," remarks Columbia's spokesman, "of the uninterrupted continuance of payments under the ascending Dawes schedule there is no guaranty whatever. Indeed," adds the professor, "much expert opinion now regards the Dawes pay-

ments as impossible of accomplishment."

Professor Seligman deplores particularly Mr. Mellon's suggestion that France can pay America by means of what she gets from Germany. This ignores, according to the professor, France's gigantic outlays for reconstruction—outlays greater than she ever can hope to receive from Germany—and he is revolted by the idea of the United States, which was not invaded, becoming the final and real recipient of moneys supposedly earmarked to repair the material devastations of the war.

Dr. Smith on the Strategy of Minerals

DR. GEORGE OTIS SMITH, Director of the United States Geological Survey, a handsome man with a lot of technical knowledge behind his frank blue eyes and beneath his wavy, iron gray hair, is an international publicist, as I understand him, who gives his theoretical suffrage to a well-judged combina-

tion of the Golden Rule and "dry powder."

"We must be decent to other peoples," said he, as I sat listening to him in his Washington home. "We must be internationally fair. We must not do certain things and then quarrel because others do the same or similar things. We have a right to make any tariff we please; at least such a right is assumed to inhere in national sovereignty. But, following our own pleasure in such matters, we must not feel hurt, or show bad temper, if other nations conform to the same criterion."

"Does the future lie with extreme nationalism or with international reciprocity?"

"Extreme nationalism, in my judgment, implies a false ideology. It does not fit the physical facts of the world, and it offends the humanities—those generous human sentiments which grow with the growth of culture. The more we know, as I apprehend our world, the more we realize that any conjecturable national self-sufficiency is largely a myth, and the more we consciously desire to be neighborly to our fellow-men as a whole."

"Some illustrations of the limits of national self-sufficiency?"

"We in America, of course, are exceptionally blessed with natural resources. Our Continent, considering climate, soil, forests, water power, minerals, is the home of what may be called 'heaven-favored nations.' This is both an advantage and a disadvantage. Its advantage is obvious; its disadvantage consists in its tendency to make us think we are really self-sufficient—really have enough of everything—and to look with indifference, if not with impatience, upon resource inventories and national cost-keeping.

"We are not self-sufficient, and it is far from easy to say what degree of self-sufficiency would be good for us or anyone else. Who doubts the benefits, financial and spiritual, of international commerce? And upon what does international commerce rest? It rests upon human wants which cannot be satisfied at home. It rests upon international exchanges of goods. Our Creator seems to have said to himself, 'I will make the world so that its inhabitants can live and prosper and progress only by getting acquainted with one another.'

"Herein we perceive the law of present-day human intercourse. It is an ineluctable law. The antipathies of nationalism may inveigh against commonsense internationalism in season and out, but the world will move steadily forward on its present lines, which are lines of integration, of cooperation, of thought and effort toward the good of each through the good of all. Nature herself, unchangeable and in all her variety, is

the rock upon which narrow nationalism breaks.

"Foodstuffs, fibers, forest products, the mineral fuels, the metals, various mineral raw materials, all are involved in this matter of humanity's interdependence. Some nations lack one thing, some another, and nearly every nation has to spare something which others need. American self-containment vanished with the colonial fathers and their simple life. Compare an old frontier community, which raised or made all it wanted, with one of our modern cities, where a single day's stoppage of transportation would threaten a catastrophe.

"Once New England communities had their own fuel; today they are pinched by a coal strike in Pennsylvania. Once iron ore and charcoal made their metal; today they look to distant States for the ore and coke of their steel. Potash from ashes used to be exported by Maine, the settlers sending it down to tidewater by canoe or wagon; today carloads of German mineral potash come from Atlantic ships to the potato fields of Maine—fields which in the ash-potash days were untouched forests.

"America lacks many raw materials, or ingredients essential to the raw materials she has. Platinum, nickel, and tin, for example, are distributed very sparsely in the rocks of the United States. Adequacy of supply is a concept which eludes definite assertion. Trying to translate our ideas of national reserves into years, we are confronted by the certainty of revolutionary invention and unforeseeable changes in our civilization and its demands. The way of the estimator is hard. We know that our energy resources are unparalleled, that increasing use of this energy means higher production and consumption, and that these latter will call for more and more foreign raw materials and markets.

"So one of our overpowering interests indisputably lies in international harmony and tranquillity. Without these we cannot be sure of our own peace, and without them we certainly cannot have that foreign trade which is the essential adjunct to the highest development of our domestic industry. The open door—freedom to buy and sell in any country on equal terms with other non-nationals—is what we want; and, if we expect to get it, we should bear in mind that we can deserve it only by the test of the Golden Rule."

"You approve foreign investment?"

"Yes; especially in the development of raw material sources."

"'Imperialism'?"

"Rightly conducted, with adequate benefits to the frontier peoples concerned."

"Is a 'heaven-favored nation' owner or trustee of its raw materials?"

"Whatever answer we may give to that question, we cannot doubt that the common interests in a growing trade tend to bind nations together, and that the ideal is to have the currents of international exchange flow at the bidding of the trade winds of supply and demand. In a time of peace, I very much doubt whether this country, even if it had complete control over a raw material needed by other countries, and even if it felt

there might be a serious call for its surplus in the future, would wish to exercise its monopolistic powers. Moral considerations, after all, are by no means impotent among men; and most of us hope, and some of us believe, that these forces will strengthen through the years."

"But in war?"

"Everything is different in war. Humanity goes by the board in war. War knows virtually nothing of either morals or mercy. War says to civilization, 'Out of the way!' and it says to savagery, 'Do your worst!' We cannot predicate our policies upon an assumption of permanent peace, much as we hope for it, and eager as we should be to seize every chance to support it.

"I am in favor of building up reserves of every raw material needful in war—steel hardening materials, for instance. They are legitimate insurance, just as are warships and bayonets. Such materials cost nothing to keep and will not deteriorate. Moreover, they are always good, for they are wanted in peace as well as in war, and, given assured peace, we can sell them at any time on the open market. We should not be blind to

the strategic importance of minerals."

On the great question of Reparations and War Debts, Dr. Smith's innate liberalism inclines him to a favorable view of the equities, and of the broad considerations of wisdom, as contrasted with the legalities, of the matter; and he believes that the debts owing to the United States, if they are collected, will be found of doubtful benefit, on the balance, to the American people. He thinks American industry well may view with concern the probable economic consequences of the vast transfers of goods inseparable from a discharge of the debts.

Hoover and the Allied Debts to America

ELEVATION of spirit, vigor of character and intellect, splendor of imagination, extensiveness and accuracy of knowledge of the objective world, an almost terrifying devotion to work—these are the principal features one notes in a study of the psychic portrait of United States Secretary of Commerce Herbert Hoover.

Mr. Hoover first an engineer and an economist?

Mr. Hoover is first an idealist.

"The dangers of America," said he, a few months ago, "are not economic or from foreign foes; they are spiritual and moral.

Spiritual, moral, and social values outrank economic values. Economic gains, even scientific gains, are worse than useless if they accrue to a people unfitted by trained character to use, and not to abuse, them."

Just at the moment, Mr. Hoover and "the professors" are at sixes and sevens on certain historical questions of ethics and economics. But Mr. Hoover, unlike certain other disputants in the same sphere, gives no sign of distrusting professors altogether. He is a believer in education, rejoices in the educational traditions and achievements of the United States, recites with pride the fact that we have 25,000,000 children in our grade schools, 3,500,000 more in our high schools, and 650,000 American youths going on up educationally in our colleges and universities.

Some of whom, of course, one day will be professors!

"Great and vital duties," says Mr. Hoover, "rest upon our educators, and we have evidence that they are fulfilling these duties by inculcating that purity of mind and purpose which is the sole guardian of our national ideals."

In fine, believing in fundamental education, Mr. Hoover does

not commit the logical fault of decrying its flower.

Moral enthusiast though he is, the Secretary of Commerce finds himself unable to subscribe to the moral views of "the professors" relative to the war indebtedness of the Allies to the United States. Dissenting in this particular, he also dissents from the views of "the professors"—i.e., the War Debt cancellationists or revisers—touching the economic aspect of the debts due America.

As regards Reparations, Mr. Hoover thinks Germany can, and ought to, pay in accordance with the Dawes Plan. This is his view as an individual, though as Secretary of Commerce, after the manner of everyone else connected with the Coolidge Administration, he unfailingly has refused to discuss Reparations in any relation. Reparations he considers a matter strictly confined to foreign governments.

To those who demand annulment of the Allied debts to America, on the predication that "The World War was as much our war as anyone's," Mr. Hoover says: "This is a theory with some logical consequences on which its advocates do not appear to have reckoned. If the war was ours as much as anyone's, its entire cost from the beginning would require assessment, including the capitalized value of human life, and we should be under the necessity of paying according to our wealth. In other words, having paid already a total of about \$60,000,000,000 on

account of this war in Europe, we should be billed for another \$40,000,000,000 or so."

A somewhat sensational outlook!

Can the Allies pay?

Mr. Hoover has no doubt they can. Hypothetical trade war by Europe upon the United States the Secretary dismisses as chimerical, since such a war would be the contrary of profitable to Europe. We are buying heavily from Europe—increasing our purchases every year by leaps and bounds—while our sales to Europe are growing much more slowly. Europeans get from Americans—tourists, emigrants, and other providers of "invisible" payments—considerably more than \$1,000,000,000 a year, and they get stupendous American loans.

"Are our friends across the Atlantic likely," asks Mr. Hoover, "to wish to reduce the prosperity which thus contributes to

their economic welfare?"

Looking at the American balance sheet of the World War, men of Mr. Hoover's way of thinking have difficulty in understanding the familiar European claim that this country "got rich out of the war." Such a statement is "fantastically wrong." With a Federal expenditure on the war of about \$30,000,000,000, with an annual cost to the Government of \$500,000,000 for the care of ex-service men—equaling another capital loss of \$10,000,000,000—with the huge sums spent directly and indirectly by American States and municipalities for war purposes, with the vast American war charities, with an accounting of American industrial losses in the post-war readjustments—with all these outlays in view, those who think with the Secretary of Commerce declare that Europeans should know America did not gain, but lost enormously, by the war.

Of reparations or territorial aggrandizement America got nothing and sought nothing. Argues the Hoover school: "Out or a Federal expenditure totaling \$50,000,000,000, nothing remained to us but the \$11,500,000,000 loaned by the Government to the Allies. If we profited by the sale of supplies, these profits were wiped out, and far more than wiped out, by the terms of the debt settlements and the high prices we paid for supplies from the Allied countries.

"Debt reductions granted the Allies," continues this school, "now are carried by American taxpayers at a cost of \$280,000,000 a year. The principal and interest which we shall receive annually amount, on an average, to \$214,000,000 at present and rise to \$350,000,000 in twenty years, if all the

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settlements are ratified. The net present value of these settlements (at the rate of interest paid by our Government) is about \$7,000,000,000, or a reduction of practically 40 per cent. This sum of \$7,000,000,000 is our only deduction from

an aggregate war loss of probably \$60,000,000,000."

More of the case of the anti-cancellationists is this: "Most of the debtor countries pay us less than 2 per cent. of their governmental expenditures, while the highest is 4 per cent. Not more than a burden of 1.6 per cent. is placed upon the foreign trade of any country. These payments constitute less than 30 per cent. of the military expenditure of any debtor country. Post-war increases in our commodity purchases from Europe, with the corresponding increases in what our tourists spend there, amount to five or six times the payments on debt account. Indeed, our increase in tourist expenditure alone since the war more than balances the debt service, and both our purchases abroad and our tourist travel will continue to increase with American economic expansion."

Parallelism between the position of France, for illustration, and that of the United States in the matter of economic competence to absorb reparation or debt payments from abroad is denied by Hooverian controversialists. French economists, when they argue that Reparations will depress French industry, may be "right," while economists who argue that European debt payments will depress American industry are "wrong." Why the difference? Because Reparations, compared with France's annual national income of some \$12,000,000,000, are big, whereas the debt payments to America, compared with America's national income of some \$90,000,000,000, are small. The capacity of an economic body, in other words, to absorb inflow of foreign goods without "digestive disorders" is in ratio to its size.

If some of Mr. Hoover's public statements have struck fire from foreign criticism—few Britishers were pleased with his remarks about rubber—the Secretary is really a man of international sympathy. One of his heaviest tasks is that of preparation for international conferences, where his whole influence, in harmony with the sentiments of President Coolidge, is intended to be cast on the side of reciprocally advantageous international policies. His objection to the British Rubber Scheme sprang from his view that it was unjust to non-British consumers, of whom Americans are overwhelmingly the chief, and that it typified a theory of national policy calculated to cause more trouble among the nations than almost anything else in the

whole range of legislative or administrative activity. Restriction of the use of the world's raw materials Mr. Hoover deems fraught with the gravest perils to international goodwill.

Poverty's Vain Endeaver to Pay Wealth

DR. HAROLD GLENN MOULTON, in his forty-fourth year, Director of the Institute of Economics, Washington, eminent as both a teacher and a writer in the department of economics, recognized by authorities as one of the deepest living students of the World War in its economic bearings, an inquirer whose factual data and whose reasoning relative to the war have had their influence, not only upon abstract thought, but upon policy, is a big, smooth-faced, just perceptibly sandy man, who looks at one brightly from behind large glasses.

Dr. Moulton's deference to the American official position with reference to Reparations and War Debts does not amount,

to say the least, to an obsession.

Dr. Moulton does his own investigating and his own thinking. "Reparation and Debt instalments," said he, leaning back at his desk in Jackson Place, "have not told us their whole story. Indeed, what they have to tell us in the future promises to be even more interesting and informing than what they have told us in the past. Three or four years hence Reparation and Debt instalments will begin to assume larger proportions. Then we shall begin to learn something more than we know now; the whole question will be up for consideration anew.

"Primarily, the *malaise* from which the world has been suffering has had two causes: First, economic disorganization due to the war; and, secondly, attempts to promote economic reconstruction through having the poorer nations pay the richer. That this policy—the policy of trying to make the poorer nations pay the richer—has been altered permanently there is no assurance. Officially, the position is still that Germany will furnish the wealth with which the Allies will pay the United States, and in addition strengthen themselves economically.

"As a fact, it recently has been officially contended that Germany, even now, is furnishing the means of paying European debts to the United States. Such statements serve only to obscure the realities of the present situation, for what is the

truth? The truth is that American investors in German and other foreign securities have been providing the funds with which current Reparation and Debt payments are being made. It is but too evident that there is still need for clear thinking on the fundamentals of the problem."

Requested to review some of the results of the war, Dr. Moulton said:

"Its worst effects, from the standpoint of war costs, were not from the loss of man-power, the devastation of land, and the destruction of accumulated capital; these worst effects were from the disorganizing action of the prolonged struggle upon the general economic and financial structure of nations. A complex, delicately-adjusted economic machine, which before the war had been functioning with comparatively little friction, was thrown completely out of gear.

"European war requirements resulted in both huge international trade deficits and unbalanced budgets. Foreign exchanges depreciated. Banking and currency systems were deranged. Utter demoralization was prevented during the war by vast credit operations. Such operations, however, only could postpone, not surmount, the fundamental difficulties; and these were not long, after the war, in coming to a head. Unbalanced budgets, depreciated exchanges, and demoralized currencies wrought havoc with the whole process of production and exchange.

"Not only the internal economic systems of many countries, but the economic organization of the world as a whole, were affected profoundly. Normal trading, and hence producing, processes were impeded. The peace treaties themselves, through their efforts to reduce the economic importance of the Central Powers, added to the difficulties. Trade restrictions and tariffs, imposed sometimes to promote economic selfsufficiency, and sometimes merely for fiscal reasons, restricted still further the growth of international trade. Even countries inherently strong, and with their internal fiscal and financial systems restored—their 'houses in order,' as the phrase goes have been unable to achieve entire economic, social, and political stability.

"Now about the poorer nations paving the richer. Those war-time nations which suffered most heavily, directly in the form of wealth destruction, and indirectly through the disorganization of the general economic and financial mechanism, were the nations of Continental Europe. The nation affected least was the United States. Great Britain occupies an intermediate position. Leaving Russia out of the picture, the Continental nations hardest hit were France and Belgium and the Central Powers. While the Central Powers escaped invasion, they did, in my opinion, sustain the heaviest indirect losses—losses consequent upon the unequaled strain of waging war almost wholly out of their own resources. It was the war's supreme test of an economic and financial system. Losses of territory and restriction of pre-war markets, especially in Eastern Europe, also bore hardly upon the chief Continental belligerents.

"Reparation and Debt settlements, in their final effect, call for the delivery of stupendous sums from those distressed peoples of the European mainland to the puissant United States. Allied statesmen decided that Germany must pay for all damages done 'by land, by sea, and from the air.' Then (in 1921) they submitted a bill of \$33,000,000,000 and ordered Germany to begin paying at once at the rate of \$1,000,000,000 a year. Our statesmen, after allowing a breathing spell of about four years, began to press our claims.

"Our legislative principle was that the war debts due us should be paid in full, with interest at not less than $4\frac{1}{4}$ per cent. Great Britain followed with the 'Balfour Principle,' which stated that Great Britain would attempt to collect from her Continental debtors (including Germany) only such sums as she herself was obliged to pay to the United States. This principle meant, of course, that Great Britain in reality would be merely a transfer agent between the Continent of Europe and the United States.

"What followed upon this endeavor to restore the world to health and prosperity by starting a flow of wealth from Central to Western Europe and thence to the United States? Disaster. Germany's economic and financial system broke down. The nation, so to speak, went into the hands of foreign receivers. That policy may have been, doubtless was, unavoidable; psychological conditions and lack of economic understanding made it unavoidable. Yet it was a policy that blocked reconstruction for at least four years.

"Calamities have their uses. The Reparation calamity proved distinctly useful in connection with world War Debt negotiations. Later settlements, based to some extent upon the principle of capacity to pay, called for only nominal payments in the first few years—virtually a moratorium—during which it was hoped the major difficulties of Europe might be overcome.

"Since 1924 Europe has improved—budgets balanced, currencies stabilized, trade revived. But, just here, we always must bear in mind that the impoverished nations of Continental Europe have not been transferring wealth to the prosperous United States. On the contrary, this country, through vast new loans, has been helping Europe to get back on its feet—not wealth from poverty to wealth, but wealth from wealth to poverty.

"The loans of the outside world to Germany have exceeded greatly the payments made by Germany under the Dawes Plan. And the loans of the United States to the rest of Europe—Great Britain aside—have been enormously in excess of the small sums currently payable under the terms of the debt settlements. That is to say, with wealth flowing from rich to poor, the latter enter upon effective measures of reconstruction.

"Our present period is transitional. The reparation and debt problems are disposed of only temporarily. Those really vital issues—namely, that of the capacity of the debtors to pay, and that of what effects such payments conceivably may have upon the creditor countries—await determination. To take a single concrete illustration, the United States, as yet, has not been forced to consider the relation of reparation and debt payments to the American tariff policy. It follows that the final test of world statesmanship in connection with the problems of post-war reconstruction is yet to come."

